

AMERICA

Dow retreats
as year-end
rally falters

Wall Street

Stocks deepened losses at midday as Wall Street's year-end rally stumbled, agencies report.

The Dow Jones Industrial Average was down 21.20 at 3,404.48 with declines leading advancing issues by 12 to seven.

The more broadly based Standard & Poor's 500 was up 2.03 at 460.45, the American Stock Exchange composite lost 2.46 to 401.57.

US Treasuries were mixed, with the long bond unchanged to yield 7.78 per cent.

Trading volume on the NYSE was 106m shares.

AT & T, off 1/4 at \$51.4, announced that it was requesting price increases of 3.5 per cent for calling-card and operator-handled calls, 1.3 per cent for international direct dial calls, 5.0 per cent for USADirect Service calls, and an average of 2.4 per cent in the monthly fees for certain domestic savings plans.

AT & T said that the price changes, which are expected to become effective on January 10, 1995, will produce about \$289m in revenues.

Toys R Us, down \$3 at \$30.4, declined to discuss its Christmas sales or comment on a lowering of the 1994 earnings estimate by a US broker.

Home Holdings plan to cease

underwriting and transfer some business to Zurich Insurance Group of Switzerland, announced on Tuesday, left the shares down 1/4 at \$9.4.

Mexican and other Latin American ADRs, which had been depressed in the wake of the devaluation of the Mexican peso, bounced back and provided the stock market with one of its few pockets of strength.

Telefonos de Argentina was up \$1 at \$50.4, Telecom Argentina rose \$1 to \$48, Telcel was up \$1 at \$38.4 and Brazil Fund rose \$1 to \$31.7.

Canada

Toronto stocks gave up some earlier gains, but stayed on positive ground in quiet post-holiday action.

The market is likely to remain lacklustre for the rest of the week as players close books for the year-end, traders said.

The TSE 300 composite index added 4.44 to 10,574.14 in volume of 16.2m shares worth C\$204.1m.

The upward impetus from a buoyant precious metals sector was blunted by weakness in energy and base metals.

The precious metals group rose 18.65, or 1.84 per cent, to 9,349.31 as gold prices stayed firm. Franco-Nevada Mining rose C\$1 to C\$28.4 while Placer Dome added C\$4 to C\$29.4.

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EUROPE

Continent takes its cue from early US weakness

Weakness on Wall Street lay behind the downturn in some markets during the afternoon session.

Reviewing possible developments among European equity markets during the first quarter of 1995, Hoare Govett commented that it expected a recovery, "but returns are unlikely to be spectacular, despite this year's fall".

The broker overvalued France and the Netherlands on a six-month view. "Paris has underperformed consistently for the past two years...[and] although liquidity and politics argue against a near-term overweight position, we feel that these factors are offset by the relatively more defensive nature of the market, in view of the risk of negative earnings surprises in Europe as a whole." Regarding Amsterdam, Hoare was positive because the market was broadly skewed towards sectors which it favoured, namely consumer, services and financials.

Sweden and Norway were put on the underweight list, partly as a consequence of having outperformed the European

FT-SE Actuaries Share Indices

Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19
FT-SE 100	1381.55	1382.00	1381.19	1380.20	1379.87	1379.41	1378.95	1378.49	1378.03
FT-SE 250	1411.55	1412.15	1411.55	1410.80	1410.27	1409.70	1409.24	1408.78	1408.32

Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19
FT-SE 100	1381.55	1382.00	1381.19	1380.20	1379.87	1379.41	1378.95	1378.49	1378.03
FT-SE 250	1411.55	1412.15	1411.55	1410.80	1410.27	1409.70	1409.24	1408.78	1408.32

index in 1994.

FRANKFURT pushed higher, the DAX index closing the official session up 2.96 at 2,100.01, having moved in a narrow range of between 2,107.55 and 2,113.85.

But the market turned sour later, with the DAX index falling to 2,097.24. Turnover was DM3.5bn.

In a preview of prospects for the German equity market in 1995 Bank Julius Baer said that the biggest danger remained the threat of further rises in US interest rates. "This will lead to repositioning from the equities market into money markets and bonds," it said.

Swedish and Norwegian were put on the underweight list, partly as a consequence of having outperformed the European

from this withdrawal of liquidity in the first quarter. A more favourable trend is likely to set in starting in the spring when reports from companies make clear that the earnings trend is intact."

Banks were stronger: Deutsche Bank gained DM2.50 to DM726.50, Commerzbank up DM2.00 to DM323.50, and Dresdner Bank putting on DM1.70 to DM406.70. The chemical sector also gained narrowly: Bayer rose DM1.50 to DM251.50, BASF up 20 pennings to DM218.00, and Hoechst DM2.00 to DM322.00.

AMSTERDAM gave up most of Tuesday's gains, with the AEX index down 3.15 at 414.81, after reaching a session high of 418.94.

Unilever, down 30 cents at F1206, said that it had reached an agreement with Danone of France to buy its 60 per cent stake in a Spanish frozen foods company. Unilever said that it would have full management control and that the stake would eventually be increased.

ING, off F11.00 at F182.10, confirmed that it had not been invited for talks on acquiring Hungary's state-owned Budapest Bank.

Rodamco fell F11.30 to F147.20 after the group said that it might drop its optional tax-free dividend next year.

PARIS was affected by the US story and the CAC-40 index fell 28.15 to 1,597.83, once again in very low turnover of Ffr2bn. EuroDisney, up 20 centimes to Ffr11.55, was heavily traded after confirming that attendances were showing a steady improvement.

ZURICH ended lower in a quiet session. The SMI index lost 17.3 to 2,556.2.

Holderbank was affected by what brokers described as UK selling on worries about its exposure in Mexico, the bearers falling Sfr124 to Sfr1,006

and the registered Sfr8 to Sfr199.00.

Zurich Insurance bearers dipped Sfr8 to Sfr1,255 following Tuesday's announcement of a co-operation deal with Sweden's Trygg-Hansa.

MILAN was pulled lower by profit-taking, leaving the Comit index down 3.59 at 634.09.

Smith New Court, issuing a long-term buy note on Fiat, off L155 to L155.50, said that its valuation indicated a price target of between L1,800 and L1,900, indicating a 20 to 25 per cent upside from current levels.

Positive factors for the car group included the strong advantage derived from the devaluation of the lira, its low industrial debt/equity ratio, the prospect of new models and new markets boosting sales further, and the potential disposal of some assets providing an additional boost to earnings and cash flow.

On the negative side, SMC noted that being a market proxy - representing some 8 per cent of the Comit index - the shares were affected by volatility and political instabil-

ity in the country.

STOCKHOLM saw the Affarsvärlden general index slip 10.5 to 1,453.1.

Ericsson, down SKr6 to SKr41, said that it had won an order for the expansion of the mobile telephone network in Jiangsu province, China.

Trygg-Hansa B lost SKr5.50 to SKr80 following its announcement of a deal with Zurich Insurance.

OSLO moved higher as the All-share index added 3.59 to 655 in high turnover of Nkr935m.

Brokers remarked that the activity arose from tax-related transactions - investors were exchanging shares with full voting rights for shares with limited voting rights in order to be able to write off their losses while retaining their stakes in the companies.

Kvaerner A shares added Nkr4 to Nkr16, while its free shares closed Nkr6 up at Nkr27. After it announced that the German shipyard had won a Nkr650m contract to build two container vessels.

Written and edited by John PHE

ASIA PACIFIC

Arbitrage unwinding erodes early gains in Nikkei

Tokyo

Arbitrage unwinding and position covering eroded earlier gains posted on buying for the first day of January settlements, and the Nikkei index finally closed lower, writes *Kenji Kato* in Tokyo.

The Nikkei 225 average closed down 45.83 to 19,655.83 after a low of 19,599.40 and a high of 19,831.91. A rise in the futures market in the morning prompted arbitrage buying and purchases by traders, but gains were eroded by afternoon selling.

Volume was 260m shares against 235.8m. Activity was led by dealers and arbitrageurs, with individual investors trading in speculative issues.

The Topix index of all first section stocks fell 3.26 to 1,551.79, while the Nikkei 300 index lost 0.68 to 285.24. Advances led declines by 478 to 474, with 210 issues remaining unchanged.

In London the ISE/Nikkei 50 index fell 0.37 to 1,200.15.

Speculative issues were among the most actively traded. Sakai Oves, a synthetic fabric manufacturer, fell Y10 to Y725 on profit taking, while Minolta added Y14 to Y563.

Nippon Soda, a chemical maker, rose Y26 to Y580. Investors were attracted by the company's contract with a US drug maker to supply AIDS-related materials.

Konica, the photo film maker, closed up Y13 at Y518. The company's 20 per cent revenue growth of its new disposable cameras has supported its recent price rise.

Higher ferro-nickel prices boosted Pacific Metals, the largest ferro-nickel maker, in the morning session. The stock, however, closed unchanged at Y53.

Other mining and metal

issues were also stronger, with Sumitomo Metal Mining up Y1 to Y907.

Profit-taking hurt shipbuilders. Mitsubishi Heavy Industries, the most active issue of the day, lost Y3 to Y750 and Ishikawajima-Harima Heavy Industries fell Y5 to Y453. Steel companies were mixed, with Nippon Steel down Y2 to Y272 and Kawasaki Steel up Y4 to Y412.

Textile companies were also weaker with Toray Industries down Y10 to Y725 and Nishimbo Industries shedding Y40 to Y1,130.

In Osaka, the OSE average rose 29.28 to 21,656.60 in volume of 29.8m shares. Aoyama Trading, the men's suit retailer, lost Y80 to Y2,200.

Trading was thin. Bombay remained closed and will re-open on January 2.

HONG KONG finished lower after a session session, with the Hang Seng index down 43.66 at 8,268.22 and with turnover totalling HK\$1.46bn.

The January futures contract was down 50 at 8,280.

There was talk of Japanese buying in the morning but dealers said they did not see any large orders. Most dealers expected fresh Japanese funds to come in the market in January.

Hong Kong Telecom closed down 15 cents at HK\$34.55, with China Light and Power off 70 cents at HK\$33.60.

Hang Seng Bank fell 75 cents to HK\$55.75, and HSBC was marked down 75 cents to HK\$42.25.

The index of China-owned stocks ended at 1,068.86, down 5.41 or 0.50 per cent.

SEOUL ended slightly higher but off earlier highs, with investors taking profits on the last trading day of the year.

The composite index put on

2.04 to 1,027.37, with volume estimated at 50m shares.

Brokers said that most of the day's activity was the result of window-dressing of the year-end accounts, with little of the activity having an effect on prices.

Smaller and medium-sized stocks were higher, but investors saw few reasons to establish new positions on the larger blue-chips before the year-end.

TAIPEI finished lower in active trade on heavy profit-taking in textiles.

The weighted index ended down 35.08 or 0.5 per cent at 6,947.88, off a high of 7,010.50. Turnover was T\$81.9m.

Sentiment was hurt on news of an indictment over a share payment default scandal related to textile company Hualon, which plunged by the daily 7 per cent limit to T\$40.70. Other textiles, which had risen recently on product price rises, also faced profit-

taking, with Shinkong Fibres limit down to T\$45.10.

Mutual funds were weak, with Fubon down 60 cents to T\$15.2.

MANILA slid as investors took profits. The composite index finished down 16.20 at 2,777.78 in turnover of P\$2.2m.

Ayala Land B shares led the fallers, off 9.5 per cent to 27 pesos, after it said that would not be bidding for a real estate project being auctioned next week.

San Miguel B slid 3.2 per cent to 125 pesos.

KUALA LUMPUR closed lower in thin trading with low buying interest ahead of the year-end holidays.

China's foreign minister to visit UK

By Simon Holberton in Hong Kong

Mr Qian Qichen, China's foreign minister, will visit the UK next year in what British officials hope, but do not expect, will mark an improvement in relations.

News of Mr Qian's proposed visit, which is not expected until the late spring or summer, came amid expectations of another Sino-British row - this time over a multi-billion-dollar plan to replace the sewerage systems in Hong Kong, which the local government says is urgently needed.

China has requested that the Hong Kong government defer plans to start a big part of the HK\$20bn (£1.67bn) project pending discussions about its environmental consequences.

The government claims that as stage one of the project - a treatment plant on Stonecutter's Island - is self-contained and can be completed before Hong Kong's handover to China in 1997, it does not need Beijing's approval. It may let contracts this week for construction of the treatment plant.

Mr Qian confirmed his plans to visit the UK to a group of local Hong Kong politicians visiting the Chinese capital, in a phrase which underlined the frostiness of bilateral relations he said that



Qian Qichen: China has 'no objection' to visit by Heseltine

China had "no objection" to a proposed visit by Mr Michael Heseltine, trade and industry secretary.

Mr Heseltine is expected to go China in the spring. Last year he was forced to withdraw from a trade mission to China when, in the middle of a row, Beijing informed London that he was not welcome.

Mr Qian's planned visit to the UK is one in a regular series of meetings which Britain and China agreed to as part of their 1981 pact to build a new airport in Hong Kong. British officials, however, took some comfort from his decision to go ahead with the visit.

This is in spite of the very poor atmosphere surrounding Sino-British relations over Hong Kong. At a meeting earlier this month in London, British and Chinese negotiators made little headway on important issues relating to Hong Kong's legal system and the development of the colony's container port.

On the port, the Hong Kong government appears to be stymied. A proposal from Beijing this week that the colonial government build the port extension itself and leave to the post-1997 administration the question of its ownership has been rejected.

A far more difficult judgment which the government will have to make in the New Year concerns the colony's court of final appeal. The government says it is committed to establishing the court - which will be Hong Kong's highest - before 1997.

In spite of a 1991 agreement with China on the structure of the court, Beijing has been dragging its feet in approving the agreement's legislative form. It has had a copy of a draft bill since May.

In the meantime Hong Kong's legal profession has emerged divided on the government's draft bill. Its representatives in the local parliament have vowed to oppose the government.

New World Bank method of calculating GNP

Dynamic Asians join top 10 richest nations

By Peter Norman, Economics Editor

Three Asian nations count among the world's top 10 richest countries when measured in terms of national output per head, adjusted for the purchasing power of their currencies in their home markets, the World Bank reported yesterday.

For the first time, the Bank has published gross national product figures for a majority of the world's countries in terms of purchasing power parity (PPP).

As a result, Hong Kong and Singapore, two of the so-called dynamic Asian economies, join Japan in the top 10 of the world's richest nations. Two Gulf oil producers, the United Arab Emirates and Qatar, also appear in the top 10, displacing Kuwait, which appears 10th in the traditional country rankings measured by GNP per head.

The World Bank believes that GNP per capita figures give a better indication of relative standards of living when converted into "international dollars" at purchasing power parity. It defines PPP as the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as \$1 would buy in the US.

Using PPP, Luxembourg emerges as the world's richest country with an output per head of \$28,510 in international dollars in 1993. The US, the

RICHNESS RANKINGS

On purchasing power parity (On traditional GNP per capita in parentheses)

Luxembourg	1	(22)
US	2	(7)
Switzerland	3	(10)
UAE	4	(12)
Qatar	5	(22)
Hong Kong	6	(21)
Japan	7	(8)
Germany	8	(9)
Singapore	9	(18)
Canada	10	(16)
France	11	(13)
Norway	12	(5)
Denmark	13	(4)
Austria	14	(17)
Belgium	15	(11)
Australia	16	(22)
Italy	17	(17)
Netherlands	18	(15)
UK	19	(20)
Sweden	20	(6)

* West only & World Source: World Bank Atlas for 1993

The PPP method shows that Mexico, which formally joined the ranks of the industrialised countries last year when it became a member of the Paris-based Organisation for Economic Co-operation and Development, is less wealthy than several nations that are still considered developing countries. Mexico's GNP per head was \$7,100 in international dollars in 1993 against \$8,630 for Malaysia and \$8,130 for Venezuela.

World Bank Atlas, \$7.95. Details from World Bank, Marketing Unit, Room 7-5054, Washington DC 20433. Fax US (202) 676 0579.

1992. The traditional measure makes Switzerland the world's wealthiest nation with a GNP per head of \$36,410. Mozambique is the poorest with a GNP per head of \$80, although this rises to an estimated \$300 in international dollars using the PPP calculation.

The PPP calculations have the effect of lifting GNP per head sharply for most developing countries and former communist states. China, for example, had a GNP per head of \$490 last year but, using PPP, this rises to \$2,120.

In Russia's case the PPP calculation yields a GNP per head of \$5,240 for 1993 against \$2,350 using traditional measures while the World Bank, using PPP, calculates India's GNP per head at \$1,250 last year against \$290 using the normal method.

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Beijing plans to overhaul bankruptcy law

By a Correspondent in Beijing

China plans to overhaul its eight-year-old bankruptcy law next year to accelerate the streamlining of loss-ridden state companies. According to the New China News Agency, a draft law to be presented to the National People's Congress, the nominal parliament, will tighten provisions of existing legislation in effect since 1988, and bring it into conformity with market reforms and international practices.

At a session of Chinese legis-

lative leaders which ended yesterday, the standing committee of the People's Congress also called for tighter control by the legislature and the State Council, or cabinet, over the People's Bank of China and its monetary policy.

Under a draft law that has to be ratified by the legislature next year, the central bank will no longer engage in commercial or policy-related lending and will have to report regularly on money supply, credit balance and other issues.

The People's Bank of China

has been trying to modernise and make the transition from acting as the funding source of a planned economy to being a market-oriented institution.

The legislative committee also cleared a new prison law aimed at curbing China's rising crime in a move that extends legislative supervision and the reach of Mr Qiao Shi, the powerful congress chairman, considered a contender to succeed Mr Deng Xiaoping, the ailing paramount leader.

"The tasks in the coming year remain very heavy," Mr.

Qiao was quoted as saying in a speech urging other legislative leaders to "promote the sustained, fast and healthy development of the national economy as well as political and social stability of the country".

Despite the proposed changes in bankruptcy legislation, western economists questioned whether the government will carry out its bankruptcy programme while millions of state enterprise employees are without work or relying on subsistence wages.

However, Mr Cao Siyuan, a

bankruptcy consultant and the architect of the proposed legislative changes, predicted the draft law would speed the rate of bankruptcies. Although the government admits that more than 40 per cent of the 72,000 state-owned industrial enterprises are in the red, only about 2,000 have been allowed to go into default under the existing law. For example, Mr Cao said the proposed law would remove government officials from the bankruptcy process by providing for an independent team to assess assets.

Pilot's confession may complicate his release from North Korea

By John Burton in Hong Kong

An ambiguous "confession" signed by a US army helicopter pilot captured by North Korea almost two weeks ago could further complicate efforts to secure his release.

Analysts were divided over whether the statement by Chief Warrant Officer Bobby Hall would speed his release or provide Pyongyang with new grounds to detain

him in return for possible concessions from the US.

If his return is delayed further, it is likely to increase prospects that the new Republican-controlled US Congress will try to block implementation of the recent US nuclear accord with North Korea. Under the accord, Pyongyang agreed to dismantle its nuclear programme in return for US diplomatic ties and international economic aid.

Mr Hall admitted that his OH-68 reconnaissance helicopter made an "intrusion deep" into North Korean airspace, adding "this criminal action is inexcusable and unpardonable".

"I only hope, and it is my desire, that the [North] Korean People's Army will leniently forgive me for my illegal intrusion so that I may return to my home and be with my family again," he concluded. The apology may provide a face-saving

means for his release, while allowing North Korea to exploit the incident for propaganda purposes and justify its downing of the helicopter.

The statement, if it was dictated by North Korean officials as many believe, does not offer much support for Pyongyang's allegation that the helicopter was on a spying mission and that its intrusion was deliberate. Mr Hall's statement said that his helicopter "deviated" from its

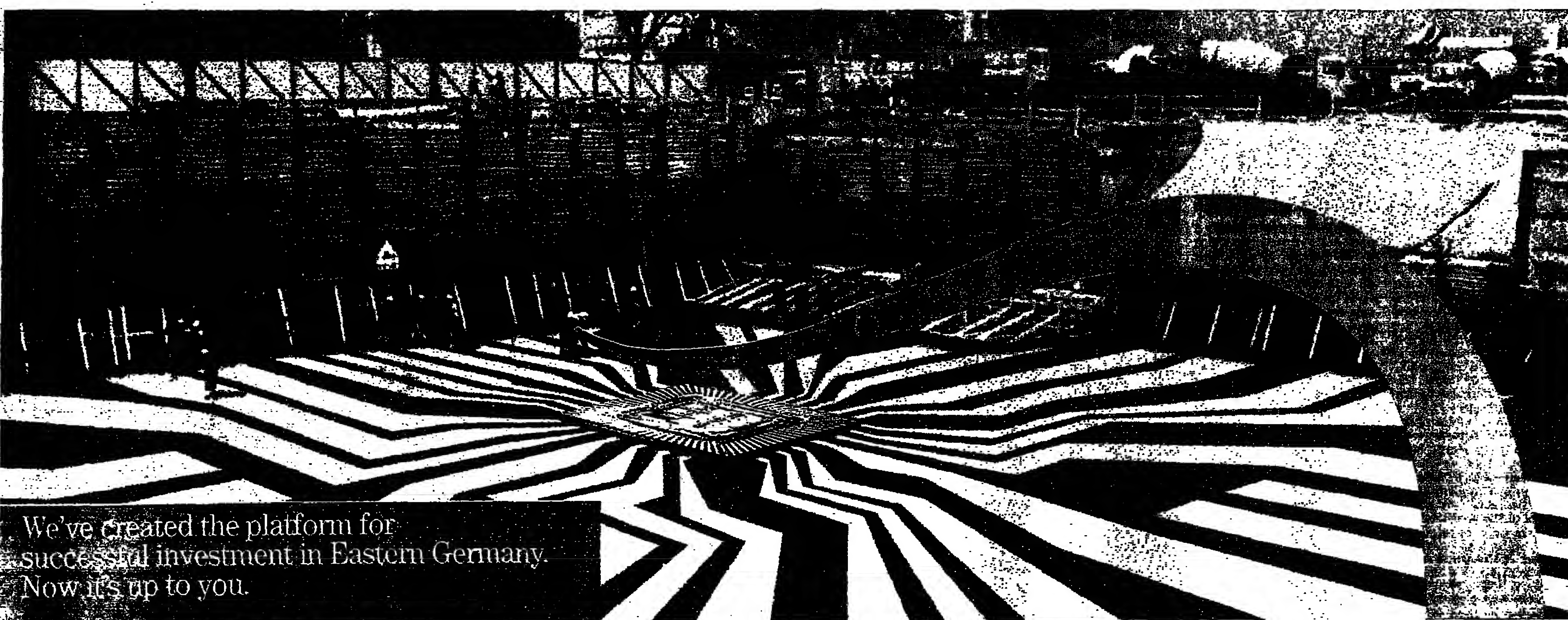
planned flight route within South Korea, but gave no explanation for why the helicopter strayed across the demilitarised zone. This could imply support for the US claim that the helicopter lost its way after a navigational error.

But some South Korean government analysts believe that Mr Hall's statement that the helicopter was on an "observation reconnaissance" mission could be interpreted as espionage if North Korea

decided to press the affair.

Whether North Korea will try to use the issue to gain concessions from the US is still unclear as it negotiates with a senior US diplomat who has travelled to Pyongyang to gain the pilot's release.

North Korea may possibly exploit the incident to support its demand that the US sign a formal treaty ending the 1950-53 Korean war and begin withdrawing its 37,000 troops from South Korea.



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NEWS: EUROPE

OECD struggles to adjust to harder times

Heavier workload and resource constraints are straining the organisation, writes Gillian Tett

When Mr Jean Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development, returned to his desk last month one of his first tasks was a fax. In a politically tactful move, he sent a message to Mr Donald Johnston, the Canadian recently selected to succeed him, offering congratulations on his appointment - and any advice he might need.

In usual circumstances, the move might have seemed unremarkable. But as Mr Paye surveys the scene from his elegant offices in the OECD's Paris headquarters, both his position and the organisation's situation look anything but normal.

Earlier this year the OECD was shaken by a bruising diplomatic row over whether Mr Paye should continue in the post he has held for the past 10 years, or be replaced. The issue was finally resolved by agreeing that Mr Johnston will succeed Mr Paye after 17 months.

The dispute, however, has highlighted new uncertainties about the future of the group, which promotes co-operation among 25 of the world's leading industrial economies. For with the OECD's workload surging, budgetary and political constraints are threatening to leave the organisation hamstringed - and Mr Paye and his successor facing an increasingly difficult task.

"We are not stifled yet but we are in a difficult position in reconciling this wish for more work and sufficient resources," Mr Paye says. "One of our concerns is that in some areas we are thinly spread now."

In the short term, Mr Paye's first challenge is to smooth over the diplomatic split between the European and non-European members that was generated by his reappointment.

"It certainly was an unfortunate period, the battle for the secretary-generalship," admits Mr Paye, a discreet and dapper French diplomat. "But to some extent I welcome this because it proves that there is a conviction in member countries that the organisation matters."

Indeed, back in his office, he insists that all is business as usual. In his remaining time he plans to press ahead in the two main areas of change that have emerged in recent years: the enlargement of the organisation to include countries such as Poland; and its move into new areas of social policy research, such as the OECD's celebrated recent jobs study. And he shrugs off suggestions that his moves will be hampered by the Americans who opposed his reappointment.

"I don't see the interest the Americans would have in blocking something... If they were to do so

they would provoke retaliation later on," he says, insisting that this would go against the "culture" of the organisation.

But the real question that now hangs over the OECD is whether Mr Paye's cautious "business as usual" approach will be enough to tackle the broader problems it faces.

The OECD started life as an over-

Pushing through radical reforms is a particularly difficult task

seer of the post-war Marshall Plan, and was established in its present form as a meeting place for governments and source of economic research almost 30 years ago. But rapid changes in the world economy have called this role into question, as groups like the European Union have come to serve as an alternative source of co-operation. Meanwhile, the OECD's claim to promote co-operation in the industrial world appears increasingly anomalous, given that countries like the so-called Asian tigers are not members.

As Mr Paye points out, these problems of geopolitical change also dog other institutions like the Conference on Security and Co-operation in Europe or the Nato alliance. But the OECD's distinctive culture of polite peer pressure and consensus means that pushing through radical reforms is particularly difficult.

Although Mr Paye believes, for example, that further changes are needed to the OECD's internal structure, this is proving sensitive because its members demand that the organisation should mirror the structure of their governments. Attempts to fuse some computing, industry and science committees earlier this year were blocked.

Meanwhile, moving funds from lesser known programmes like tourism research to new projects is hard. "We have tried to chop some programmes, but it proves very difficult to get unanimous agreement. We almost scuttled the budget discussions one year because one country insisted on maintaining the activities on pulp and paper," he says.

One solution, Mr Paye says, might be to end the requirement of unanimity in the budget discussions. But pushing this through may be difficult, not least because some members are already grumbling about the OECD's budget, currently about FF1.2bn (£155m).

The UK, for example, recently decided to stop funding the OECD Development Centre, complaining that its budgetary contributions had surged by 40 per cent in the past four years. The OECD insists that the real increase is 28 per cent, with most of this due to new research into east Europe. But Mr Paye admits that Britain's move could prove the tip of an iceberg if the organisation were "unable to adjust and develop to meet its challenges".

With Mr Paye hoping that the four Visegrad countries (Poland, Hungary, the Czech Republic and Slovakia) will join the OECD in 1996, and South Korea already having announced its intention of becoming a member, he insists that the organisation still has a future.

Indeed, he argues that the development of such regional trading blocs as the EU and North American Free Trade Agreement means the OECD should now aim to play a vital role as a "meeting point for policy dialogue between groups".

But if the OECD is to achieve this role, it will require a new clarity of vision from both Mr Paye and Mr Johnston. And with the former now planning to meet the latter for exploratory talks next spring, it appears that the two men will have much to discuss - irrespective of the previous diplomatic dispute.



Secretary-general Jean Claude Paye: "Business as usual" approach

Prospects rise for truce in Bosnia

By Laura Silber in Belgrade

Bosnian Serb and United Nations commanders yesterday adjourned talks on a proposed four-month ceasefire agreement but remained confident the truce would be signed before the deadline on Sunday.

On the political front, Bosnian Serb leaders last night made a cautious endorsement of a peace plan brokered on December 15 by Mr Jimmy Carter, former US president. Bosnian Serb leaders had promised to restart peace talks on the basis of the five-nation Contact Group plan to divide Bosnia roughly in half.

"The parliament informs the Contact Group and the international community of the readiness on the part of Republika Srpska to enter peace negotiations on the basis of the agreement," the statement said.

The lukewarm statement, issued in the Serb mountain stronghold of Pale, fell far short of accepting the map which would call on Serbs to hand over a third of the 70 per cent of Bosnia they currently control.

Serb leaders still reject the maps, whereas the Muslim-led government has insisted that the proposed division remains the same. But earlier Mr Alija Izetbegovic, President of Bosnia, appeared to soften his position. Speaking in his capacity as leader of Bosnia's main Muslim party, he said: "We think that the resumption of the war is a bigger injustice than an unjust peace."

After meeting Serb military and political leaders in Pale, General Sir Michael Rose, UN commander in Bosnia, said: "There is goodwill on both sides. I hope we are going to get some conclusion by the weekend."

"Today it might be a little too soon [for the signing] because we were not expecting it before January 1 and we still have two days to go."

General Ratko Mladic, the Bosnian Serb commander, added: "I agree with what General Rose has just said. I hope the parties to the conflict will sort details out."

Bosnian Serbs and Muslims recently endorsed a temporary truce in order to gain time to hammer out the details of a four-month cessation of hostilities throughout Bosnia under the agreement brokered by Mr Carter.

Fighting near the northwestern Bihac enclave yesterday raised fears that even the provisional truce would not take hold. Serb forces are encircling Bihac. They used tanks, artillery and mortars to push back their Muslim foes in nearby Bosanska Krupa, said UN officials.

The Bosnian government yesterday reiterated warnings that it would refuse to sign the four-month ceasefire if Serb forces, backed by troops loyal to Mr Fikret Abdic, the Muslim renegade leader, kept up their assault on Bihac. Gen Rose on Wednesday won conditional support for a truce from Mr Abdic, but the renegade chief refused to accept any deadlines.

Plan for control of key enterprises jolts reform drive

Russian call for state takeovers

By John Lloyd in Moscow

The new head of Russia's State Property Committee, the main agency for privatisation, said yesterday he was preparing a law to renationalise enterprises in the central sectors of the Russian economy - oil and gas, aluminium and the military-industrial complex.

Mr Vladimir Polevanov, appointed last month as head of the committee in succession to Mr Anatoly Chubais, now a first deputy prime minister in charge of the economy, told a group of Russian journalists it was essential to "change the economic course of the government" and impose "strict state management of enterprises". He claimed he had the support of President Boris Yeltsin and

"a part" of the government.

This is Mr Polevanov's most open statement of his aims since his appointment - though a series of muffled conflicts have been obvious between him and Mr Chubais, the government's leading reformist, over the course of privatisation. However, in claiming the president's support, Mr Polevanov is also claiming that his line is winning out in the struggle over reform.

The threat to enterprises in sectors most attractive to foreign investors - which include such companies as Lukoil and Gazprom, now actively seeking foreign investment - is a move of the kind most feared by investors considering putting money into a country still seen

as politically volatile. However, Mr Polevanov is being strongly opposed behind the scenes by Mr Chubais, who is fighting to keep reform and privatisation alive by working with Mr Polevanov's reform-minded deputies.

Mr Polevanov said he was "very concerned" that in actions of enterprises in the fuel, energy and aluminium sectors, foreign investors had secured packets of shares of up to 15 per cent of a company's stock and thus the right to seats on the board. "This directly threatens the security of Russia," he said.

He claimed that a senior official on Mr Yeltsin's staff had produced a report on the threat to national security of privatisation and foreign investment

and that his actions were conforming to the lines of the report.

The privatisation committee, he said, was now drafting a law in co-operation with the heads of the Duma's privatisation and budget committees, to bring back the strategically important companies within state control. He said any loss of foreign investment as a result of such a law would be compensated by imposition of higher import tariffs.

Earlier this week, Mr Maxim Bolko, head of the Privatisation Centre - an independent institute close to the government - acknowledged that Mr Polevanov's ideas were in contradiction to the reform course but said he was "new in the job".

Economy hostage to war, oil and Yeltsin

The Russian government's proclaimed aim of stabilising the economy next year - a move seen as indispensable to bringing stability not just to the economy but to politics - now rests on the outcome of a desperate struggle over three crucial issues:

John Lloyd on the desperate struggle waged by reformists over three crucial issues

domestic and international support. Mr Yeltsin has recently approved a law abolishing a profit tax paid by banks, and is said to be in favour of signing legislation raising minimum wages.

Government officials admit that the first quarter of the new year will be exceptionally difficult as revenues are traditionally low at that period and the costs of the Chechen war are mounting. However, they also believe that the budget deficit of 8.3 per cent of official gross domestic product (estimated at Rhs25,000bn) can be brought down, in part because the GDP forecast is too low.

They also believe that if the IMF can agree on a standby loan in the middle of January, inflation now running at around 15 per cent a month can be swiftly lowered as expectations are reduced.

Mr Jochen Wermuth, head of the group of experts working with the finance ministry, said last night that "given recent positive developments in revenue collection and additional revenue measures which the government can implement without the agreement of the Duma [lower house of parliament], it is likely that the government deficit could be as low as 5 per cent, sufficiently low to allow for a credible policy of stabilisation - if supported by a stabilisation fund."

He added, however: "Given the constraints on the budget in the first quarter, quick IMF support for the programme is central."

decision from Mr Victor Chernomyrdin, the prime minister in the next couple of days.

"Our view in the economics ministry is that fears that ending quotas will lead to a shortage of oil in the domestic market are insufficiently grounded, and that a decision to liberalise is absolutely essential."

Abolition of the quotas is seen by the IMF and the World Bank as vital to the liberalisation of oil prices, which in turn is seen as a necessary condition for economic stabilisation. IMF sources said yesterday that the decision was a crucial test of the government's good intentions.

The position of the president on these issues is presently unknown. Mr Yeltsin has formally backed the budget strategy, but has in the past insisted on his own freedom of action to issue decrees and approve laws which contradict budget strategy. The reformists now fear that unless he explicitly endorses the 1995 budget itself, it will fall to command

the cost of the Chechen war is estimated to be running at some Rhs2,000bn a week, and mounting. The final bill, including rebuilding the severely damaged capital, Grozny, and other towns, has been put initially at Rhs1,000bn but all estimates are now much higher. In addition, the military will demand greatly increased expenditure as the price for their engagement in the war.

A system of domestic oil quotas is now in draft form, and would replace the quotas on oil exports which remain in force until January 1. Mr Yevgeny Yasin, the pro-reformist economics minister, said yesterday that the draft had not yet been signed, but he expected a

voiced a completely contrary view after meeting President Yeltsin. "We have told Scalfaro we cannot dissolve parliament so long as the majority of deputies believe a new government must be formed," he said.

In the chamber of deputies Mr Berlusconi's Forza Italia, plus its remaining allies - the neo-fascist MSI/National Alliance, the Christian Democratic centre and the Radical reformers of Mr Marco Pannella - can muster 277 votes. Even with the backing of some members of the populist Northern League which has left the coalition, Mr Berlusconi falls short of the 316-vote majority. In contrast the combined vote of the opposition is close to 360 if the full League contingent is included.

Mr Berlusconi knows the longer the delay in elections the more he is likely to lose a sympathy vote. His opponents are meanwhile determined to place as many obstacles in his path as possible to prevent him returning to government.

The opposition also shares President Scalfaro's view that early elections without further reform of the electoral system and some fresh budgetary adjustments would be damaging to the country.

However, these measures could not easily be forced upon Mr Berlusconi and his allies, who might retaliate by resigning en masse to demonstrate the lack of legitimacy in the continued life of the parliament.

Scalfaro plans further round of negotiations

Italian parties take hard line in government talks

By Robert Graham in Rome

Italy's main political parties have staked out intransigent positions in the initial round of consultations held by President Oscar Luigi Scalfaro to resolve the country's government crisis.

As the president winds up today his preliminary soundings, he has become clear that he will insist on further extensive discussions with political leaders before taking a decision. He will also be anxious to test whether there is any flexibility in the headline positions adopted by the parties.

Political commentators were saying yesterday that he was unlikely to reveal his hand before the end of next week. The prospect of a long drawn-out crisis put renewed pressure on the lira yesterday and it fell through the psychological floor of L1,050 against the D-Mark to a new record low.

Following last Thursday's resignation of the eight-month-old Berlusconi government, the parties are split between those for and against early elections. Mr Silvio Berlusconi, the outgoing premier, told the president bluntly this week that he had no option but to dissolve parliament and call a snap election.

"We see no other solution but going to the polls," Mr Berlusconi said after seeing the president on Wednesday. The premier claims that he and his rightwing coalition were given a mandate to govern which can



PDS leader Massimo D'Alema: opposed to snap election

be usurped by no other political alliance. This view is shared by his allies.

Mr Berlusconi has even backed up the call for a quick electoral test by suggesting the end of March as the polling date - exactly a year after he scored his triumphal success with his Forza Italia movement less than three months after entering politics.

But yesterday Mr Massimo D'Alema, the leader of the former communist Party of the Democratic Left and the effective head of the opposition,

voiced a completely contrary view after meeting President Scalfaro. "We have told Scalfaro we cannot dissolve parliament so long as the majority of deputies believe a new government must be formed," he said.

In the chamber of deputies Mr Berlusconi's Forza Italia, plus its remaining allies - the neo-fascist MSI/National Alliance, the Christian Democratic centre and the Radical reformers of Mr Marco Pannella - can muster 277 votes. Even with the backing of some members of the populist Northern League which has left the coalition, Mr Berlusconi falls short of the 316-vote majority. In contrast the combined vote of the opposition is close to 360 if the full League contingent is included.

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Mexicans search for a sacrificial victim

By Ted Bardeck in Mexico City

Wall Street has wanted Jaime Serra Puche's head. Managers at the brokerage houses and mutual funds which have lost billions of dollars in the Mexican market over the past two weeks say the country's finance minister, whose position was originally looked secure but finally came under threat last night, mismanaged the currency crisis. Confidence in Mexico could not return until Mr Serra's departure, the money managers said - always adding: "Don't quote me on that".

Ahead of the announcement of an economic stabilisation plan by President Ernesto Zedillo, government officials and political analysts said Mr Zedillo would attempt to restore investor confidence by changing policies, not just people.

"So far Zedillo's response to this crisis has been tactical, making moves day by day. But he and his people know that to succeed they need to put together a real strategy," says Prof Guillermo Garduño, professor of political science at the Mexican Institute of Technology. "Replacing Serra only makes sense as a tactic, but it wouldn't be very strategic less than one month into the government."

A political strategy was yesterday

beginning to emerge. One part would be to blame ex-president Carlos Salinas and Mr Pedro Aspe, his former finance minister, for much of the current crisis. This move would follow a tradition in Mexico of the new president coming down hard on the predecessor who hand-picked him.

Specifically, Mr Salinas and Mr Aspe would be taken to task for not devaluing the peso when they saw compelling economic reasons to do so. Several senior government economic officials, including Mr Guillermo Ortiz, communications and transport minister who was last night expected to take over from Mr Serra at finance, had been privately explaining the need for a devaluation as early as November 1993.

But these officials were overruled by their superiors for political reasons, namely the fear that a devaluation would cause the ruling Institutional Revolutionary party to lose votes in last August's election and take some loss of Mr Salinas' campaign to become head of the World Trade Organisation. Mr Salinas' dwindling chances of a move to Geneva, and a post-devaluation poll showing the PRI likely to be crushed in February's state elections, show just how right the two former officials may have been.

Many foreign investors would have favoured the return of Mr Aspe to the finance ministry. Political analysts say bringing Mr Aspe back would have been damaging to the presidency, however. "Zedillo needs to consolidate power or this is never going to work. Aspe's return would be a recognition that Zedillo is weak and not in control of the situation," says Prof Garduño.

Mr Ortiz was the most elegant advocate of devaluation in the Salinas administration and was a prime candidate to replace Mr Serra. At communications and transport he was to have carried out many of the privatisations that were expected to be a key component of the stabilisation plan.

"In all wars there are deaths," says Mr Federico Arreola, a political columnist. And in Mr Zedillo's war against economic difficulties, the sacrifice of Mr Serra was expected to come "even though he might not be at fault".

Yet government officials recognise that this strategy will not work unless the immediate fallout from the peso devaluation has been the losses incurred on their portfolios of Mexican debt securities. Mr James Hanbury, banking analyst at Wertheim Schroder in New York, said the peso's decline ensured that a difficult trading year for banks ended on a suitably bleak note. "In a quarter where securities trading and bond trading profits have been terrible, this will be another piece of bad news."

US investors nurse bruises from peso crisis

By Lisa Branstetter and Patrick Haverson in New York

The devaluation of the Mexican peso and the country's financial crisis have left US financial institutions - the largest investors in Mexico - nursing some nasty bruises.

Economists are worried that US mutual funds, banks, and securities houses may shy away from investing in Mexico. There is already evidence that some are withdrawing altogether at least temporarily.

One US mutual fund is said to have decided to liquidate its peso-exposed investments after seeing the value of its Mexican holdings decline as much as 20 per cent. According to a debt trader at one US bank, the fund is selling the securities in anticipation of redemptions that may come in after the fund sends out its year-end statement in several weeks.

The trader said that the fund had bought at least \$150m of the debt of a large Mexican company at an issue price of \$102. After the crisis broke, it tried to sell the paper for \$82, but had trouble finding buyers.

For another fund group, Massachusetts Financial Services of Boston, the currency crisis meant a loss of about \$11m across several funds with total assets of more than \$3bn. Mr Jeffrey Kaufman, who manages emerging market debt for several of the company's mutual funds, said that in the wake of uncertainty about the government's economic plan the company pulled all its peso-exposed debt out of Mexico.

But, he added, "I don't view our exit as permanent because I think the Mexican government can take steps to rebuild its credibility."

According to the latest figures from the Securities Industry Association, US investment in Mexican stocks totalled more than \$1bn in the middle of this year. In the Mexican debt market, US investors held more than \$2.2bn as of last June. On the equities side, analysts calculate that the dollar value of US investments in Mexican stocks would have declined more than 30 per cent if they had been held throughout the week-long crisis.

Lipper Analytical, a research

firm, said that open-ended Mexican equity funds in the US declined an average 28 per cent between December 18 and December 23 and open-ended bond funds fell by an average of 16 per cent over the same period.

In spite of these losses, however, most US funds dedicated primarily to Mexico or emerging markets appear to have decided to see out the crisis.

Mr William Truscott, assistant manager of the Scudder Latin America Fund, which held about 30 per cent of its \$700m assets in peso-denominated securities, said he would stay the course in Latin America although the fund had lost about 20 per cent since its last devaluation on December 19.

Like many other managers, Mr Truscott expressed anger over the way the month-old administration of Mr Ernesto Zedillo chose to execute the devaluation.

"There is general shock," he said. "The handling of this problem by the current administration stands in stark contrast to the Salinas administration where there was always a plan and a contingency plan

MEXICAN TESOBONOS

Short-term dollar securities falling due in 1995 (\$)

January	3,620m
February	3,490m
March	3,220m
April	1,850m
May	2,720m
June	1,940m
July	3,750m
August	4,140m
September	850m
October	860m
November	2,200m
December	715m

Source: Bank of Mexico

if that plan didn't work."

Mr Truscott and others are now waiting to see the economic plan Mr Zedillo is scheduled to outline on January 2. Mr Lawrence Goodman, an economist who specialises in Latin America at securities firm Salomon Brothers, warned that investors should expect volatility in the markets until the plan is announced.

"What we are seeing now is that, independent of a programme, there are waves of speculation that are leading to massive swings both in the

currency and the equity and fixed income markets. There is a fair amount of concern among investors related to credibility that has been jeopardised," said Mr Goodman.

For US commercial and investment banks, meanwhile, the immediate fallout from the peso devaluation has been the losses incurred on their portfolios of Mexican debt securities. Mr James Hanbury, banking analyst at Wertheim Schroder in New York, said the peso's decline ensured that a difficult trading year for banks ended on a suitably bleak note. "In a quarter where securities trading and bond trading profits have been terrible, this will be another piece of bad news."

Not all US banks suffered trading losses. Although shares in Citicorp fell last week after the peso was floated because of concern about the earnings of the US bank with the biggest exposure to Mexico, analysts said the bank was protected because it had a big local currency business in Mexico and so did not need to take risks trading Brady bonds and Latin American debt in New York.



Serra: drew fire over handling of economic difficulties

Anthony Ashwood

INTERNATIONAL NEWS DIGEST

Israel economy grows by 6.8%

Israel's economy outperformed all 24 Organisation for Economic Co-operation and Development nations in 1994 with a growth of 6.8 per cent in gross domestic product, according to Israel's central bureau of statistics. Israel also led the field with a growth in per capita income of 4.3 per cent, although income remains low by western standards at \$13,730. Fuelled, among other things, by an influx of 600,000 immigrants from the former Soviet Union over the past five years, the economy has expanded at an average of 5 per cent a year since the beginning of the 1980s. Figures released this week show unemployment falling from 10 per cent in 1993 to 7.6 per cent this year. This puts Israel ninth among OECD states with the lowest rates of jobseekers.

On the other side of the ledger, however, Israel registered the highest trade deficit and the second highest inflation rate. The trade deficit rose to \$8.5bn, compared with \$6bn last year. The consumer price index climbed to 12.9 per cent from 11.2 per cent in 1993. Private consumption leapt 9.3 per cent, investment in machinery and infrastructure by 17.3 per cent.

While celebrating Israel's economic health, independent analysts are predicting a slow-down in 1995. Mr Ya'acov Shetlin, president of the Tel-Aviv forecasting firm, Economic Models, commented yesterday: "These figures mean that the Israeli economy has huge potential. The problem is that after so many years of growth, you run into bottlenecks. We predict that next year the economy will slow down a bit, until the government does something about the housing shortage and inflation." *Eric Silver, Jerusalem*

US newsprint shortage worsens

A severe newsprint shortage and steep price increases have led some North American publishers to cut their paper consumption. The shortages, most acute on the West Coast, have been exacerbated by a strike at Fletcher Challenge Canada's three mills in British Columbia which began last week. Fletcher normally produces about 3,000 tonnes of newsprint a day. Publishers' inventories are typically low at this time of year. Strong demand, especially in the southern US, and exports to Europe, south-east Asia and Mexico have also tightened supplies. Gannett, one of the biggest US newspaper groups, is expected to reduce newsprint purchases by 2.5 per cent. *Bernard Simon, Toronto*

Thai, Malaysian ratings boost

Standard & Poor's, the rating agency, has raised its credit ratings for Thailand and Malaysia's long-term foreign-currency debt. Malaysia's rating was raised to single-A-plus from single-A while Thailand's rating was raised to single-A-minus, with a stable long-term outlook for both. Malaysia's upgrading reflects the country's steady progress in diversifying its export-based economy, prudent macroeconomic management and a political system that balances the demands of its multi-ethnic society, the agency said. Cautious fiscal and monetary policies had led to strong economic growth, averaging 8.7 per cent in the past six years, along with moderate inflation and a strengthening of already robust finances, it added. Thailand's upgrading reflects the maintenance of the country's external payments position and the consolidation of civilian-led democratic rule since 1992, according to S&P. *Conner Middleman, London*

US leading indicators ahead

The US official index of leading indicators rose 0.3 per cent last month, providing further evidence that economic growth is likely to remain robust in the first half of 1995. The increase in the index, intended to give early warning of changes in economic trends, exceeded most analysts' expectations. It followed a revised 0.1 per cent decline in October and a gain of 0.1 per cent in September. Officials said the index had been boosted by positive contributions from five indicators including orders for plant, equipment, orders for consumer goods and materials, claims for unemployment insurance, and commodity prices. Other indicators, including share prices and the money supply, contributed negatively. *Michael Frouse, Washington*

French banks raise loan rates

French banks raised their base lending rates by three-tenths of a percentage point yesterday, passing this month's increase in money-market rates on to their customers. Société Générale was the first to announce it would raise its base rate to 8.25 per cent from 7.95 per cent from today. Crédit Lyonnais and the CIC banking unit of insurer GAN followed suit. Banque Nationale de Paris and Crédit du Nord said they would increase their rates next Tuesday. Most other French banks are expected to follow suit. *Reuter Paris*

Chinese offshore output dips

Crude oil and natural gas output from China's onshore oilfields will fall short of projections this year but rebound slightly in 1995, according to figures released yesterday by the China National Petroleum Corporation (CNPC), the country's top oil producer. China became a net oil importer in 1993 and has struggled to maintain production levels for its maturing fields as imports have increased sharply to meet soaring energy needs. Onshore crude production in 1994 will stand at 139.4m tonnes and natural gas at 15.9bn cubic metres. 0.6 per cent and 3.2 per cent above state-set targets respectively, CNPC said. The 1994 output is below CNPC's January projections of 140m tonnes of crude and 16bn cu m of natural gas. A *Correspondent, Beijing*

Immigrants worry Australians

Australia's federal government is being urged to step up pressure on China in an effort to halt a sudden influx of illegal refugees reaching Australia by boat from the southern Chinese city of Beihai. On Wednesday, a vessel with more than 70 people on board entered Darwin, the fourth in six days believed to be from the Chinese port town. This brought the number of boat people, predominantly Chinese, arriving in northern Australia this year to about 850, the highest annual total since the Vietnam war. More than two-thirds of the arrivals have occurred in the last six weeks. *Nikki Tai, Sydney*

Syria call to Israel supported

By Roger Matthews, Middle East Editor

Syria yesterday won the public backing of Egypt and Saudi Arabia for its demand that Israel must fully withdraw from the Golan Heights and south Lebanon as part of a comprehensive Middle East peace agreement.

After a two-day meeting in Alexandria, President Hosni Mubarak of Egypt, President King Fahd of Saudi Arabia issued a statement which also called for Iraq to abide by United Nations Security Council resolutions and for the removal from the region of all weapons of mass destruction, a reference to Israel's nuclear stockpile.

The surprise summit was held at Syria's request after growing concern in Damascus that Israel was winning wider recognition in the region despite continuing to occupy Arab land. Mr Assad is understood to have been particularly concerned at the visit earlier this week to Oman by Mr Yitzhak Rabin, Israeli prime minister.

The Syrians hope that yesterday's statement by Saudi Arabia, the dominant nation in the Gulf Co-operation Council, will put pressure on the other five members to await progress in the peace negotiations before establishing links with Israel.

The summit may also herald a concerted effort to rebuild Arab bridges after the divisions caused by the 1991 Gulf war and the unilateral decision by the Palestine Liberation Organisation to sign a separate peace agreement with Israel.

The three leaders said they "highly appreciated Syria's serious efforts" to make the deadlocked peace process succeed and urged the US and Russia, the co-sponsors, to work towards "removing the obstacles the Israeli side puts in the road to peace".

They also urged Iraq to abide by all UN resolutions "to alleviate the suffering of the brotherly Iraqi people and provide a suitable atmosphere for stability in the Arab world".

Populist who struck it lucky in Brazil

President Franco is set to hand over peacefully, writes Angus Foster

In the film *Being There*, Peter Sellers played a nobody whose simple philosophies enchanted the public and nearly propelled him to the White House. In Brazil, where real life often seems stranger than Hollywood, the story came true.

Mr Itamar Franco, a small-town politician almost unknown outside his home state of Minas Gerais, was picked as running mate for Mr Fernando Collor, who at first appeared to have little chance of winning 1993's presidential election.

After Mr Collor won, then resigned two years ago, Mr Franco was swept into the presidency and has appeared startled by the television lights ever since.

After a disastrous beginning, Mr Franco has won over many Brazilians. In July, his government launched a new currency, the Real, which brought inflation tumbling down and greatly helped the poor.

Instead of being booed during walkabouts, as happened earlier this year, he is now applauded. When he leaves office on January 1, he will hand over to a successor he helped elect.

Explaining these successes is as complicated as Mr Franco's unpredictable character. Bra-

zil's economic and political outlook improved under his leadership, but historians may decide this was due to luck rather than presidential judgment.

A populist who took office with a poor understanding of economics and few political allies, and prone to lose his temper, Mr Franco, 64, often appeared to have little appetite for the job.

After probably his most embarrassing moment, when he was photographed flirting with a knickerless actress at this year's carnival, he compounded the error by telephoning her the next day. The actress, who was trying to revive her career rather than pick up the president, let the press listen in on the conversation.

Despite such setbacks, Mr Franco's two-year presidency will be remembered as a time of opening for the protected economy, and for the Real, which looks to be the country's best chance yet to kick its inflationary habit.

Sadly for Mr Franco, his predecessor Mr Collor will probably gain the credit for the first of these achievements, while his successor Mr Fernando Henrique Cardoso will be praised for the second.

It was Mr Collor who cut

average tariffs from more than 50 per cent to 14 per cent and told industry to improve productivity. Mr Collor also agreed with President Carlos Menem of Argentina that the Mercosur customs union linking the two countries with Paraguay and Uruguay should be accelerated and come into effect on January 1 1995 rather than five years later.

The opening of the economy, as well as disastrous shock measures from 1990 designed to combat inflation, sent Brazil into deep recession.

When it started to recover in 1993, helped by a more competitive private sector and rising commodity prices, Mr Collor was out of office and Mr Franco was in place to take the credit.

Although he was criticised for appearing to have no overall economic policy, and for losing three finance ministers in seven months, Mr Franco's first full year in office saw gross domestic product grow by about 5 per cent, compared to zero or negative growth since 1990.

This year, helped by the Real's success, growth should be about 4 per cent.

Mr Cardoso's appointment in May last year as Mr Franco's fourth finance minister was

the real turning point for the government's fortunes.

Mr Cardoso, a former academic and skilled politician, assembled a team of economists to launch a new currency specifically designed to stop inflation and elect him as the next president.

Mr Franco also agreed, for the first time since becoming president, that he would cede control over the economy to the finance ministry.

"Other than personal friends, the president fully trusted Fernando Henrique Cardoso, who was also the only man alert enough to [Mr Franco's] sensitivities," according to an outgoing government member.

After the Real's introduction in July, popularity ratings for Mr Franco and his government rose as quickly as inflation fell.

Mr Cardoso's votes also mounted, and he comfortably won October's election. In Brazil's turbulent politics, Mr Franco is one of the few presidents to have handed power peacefully to his chosen successor.

Mr Franco said recently that a big regret was his failure to increase the minimum wage, because of a lack of funds. Critics are harsher, pointing out that his prickly character and style of management often left



Franco: boom, then applause

the government leadership, with different ministries unaware of each others' actions.

His refusal to back much needed constitutional reforms earlier this year ensured their failure.

His occasional outbursts, such as a threat to ignore an unfavourable Supreme Court ruling, reinforced international perceptions of the fragility of Brazil's institutions.

Yet, as at the end of *Being There*, Mr Franco's supporters are already musing about his chances of running for the presidency in 1998.

CIA chief who quit the troubled world of spying

By Jurek Martin in Washington

Mr Jim Woolsey, who resigned late on Wednesday as CIA director, has personal qualities that do not quite fit with the conventional image of espionage shaped by real spies. He is gregarious, fond of sailing and singing, and quite willing to talk about his trade.

Indeed, these days old spies tend to talk a lot. Earlier this week Mr Aldrich Ames, the unearthen Soviet "mole" who was the heaviest cross Mr Woolsey had to bear, went on television to discuss his treachery quite freely. Earlier this month, a whole gaggle of past and present spies and scholars convened at Harvard for a public forum which saw one former director, Mr Stansfield Turner, confess that intelligence estimates of the Soviet threat he provided to President Jimmy Carter "were not much help". Even the cost of intelligence is no

longer the closed book it was. In November, a congressional subcommittee inadvertently released details of the \$28bn (£17.5bn) national intelligence budget, of which the CIA's particular slice was disclosed at \$3.1bn, half as much again as the State Department's military intelligence, much of which is electronic and to which the CIA has access, accounted for \$2.6bn.

Not since the 1970s, when past CIA activities from Cuba to the Congo were made public, has the agency been so much in the spotlight and subject to so much analysis and criticism. This year Congress got into the act by setting up a bipartisan commission under Mr Les Aspin, President Bill Clinton's first defence secretary, and Mr Warren Rudman, the Republican ex-senator from New Hampshire, to define new missions and purpose for America's spies.

From all this comment, much pre-

dating examination of the political entanglements surrounding Mr Woolsey's resignation, a composite picture of a troubled CIA emerges. Salient points include:

● An "old boy" culture protective of its own. This was most evident in the failure to detect Mr Ames's activities

regarded woman case officer denied promotion was so strong that the agency settled out of court.

● Deep divisions between the new breed of intelligence analysts and the old operational cold war warriors, described at Harvard by Mr McGeorge Bundy of the Kennedy and Johnson administrations as "hard-boiled, activist, give-us-the-bomb, anti-Communists".

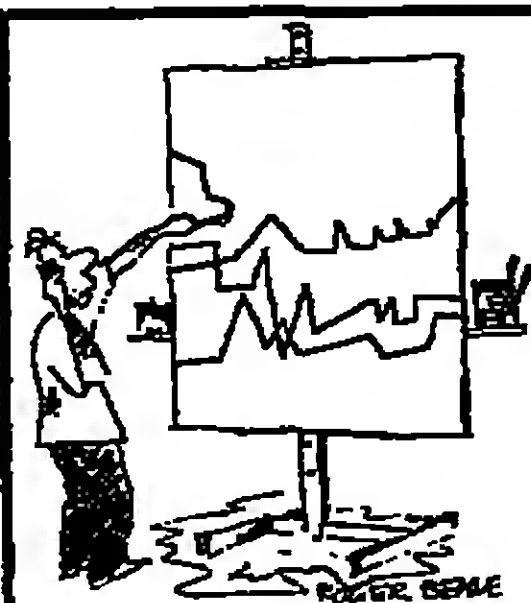
It was the latter school who went to great lengths to besmirch the reputation of President Jean-Bertrand Aristide of Haiti, thus immensely complicating administration efforts to restore him to power, and who continued to produce reports on leftwing dissidents around the world or Russian crop estimates, often duplicating the work of the media and academia.

● No real consensus on a post-cold war mission in the face of proliferating demands for intelligence both because of old targets (Moscow, Beijing and Pyongyang) and new ones

dotted around the world (Algeria being merely the latest).

Mr Woolsey's supporters argue that he had quietly done much to rationalise electronic surveillance, including a controversial extension into commercial intelligence-gathering, and had improved the quality of CIA analysts. But this never satisfied his congressional critics, especially when he sought exemption from budget cuts or tried to explain why he had not hung up by the thumbs those implicated in the Ames affair.

All this is a far cry from the last heyday of espionage under President Ronald Reagan when Mr William Casey more or less did with his CIA what he liked and if blocked, as over the Iran-Contra scandal, found other ways of doing it. Like recruiting Colonel Oliver North. But Mr Casey never felt accountable to anyone, even, it seemed, his president. This is not the fortune of today's CIA.



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NEWS: A YEAR OF CORRUPTION



Antonio Di Pietro, star of Italy's clean hands investigations until he resigned this month, has become a celebrity after exposing an entire political generation

Politics, money and crime: a world on the take

1994 has seen corruption making headlines across the globe. Andrew Adonis explains why

This has been a year of concern about corruption the world over. Gone are the days when developed countries could smugly believe they had outgrown endemic corruption or the Anglo-Saxons that they were not like the southern Europeans and Latin Americans. Three broad categories of illicit practice are evident. The first could be called "sleaze" - dubious practice on the margins of propriety, involving relatively small sums and favours. Congressional scandals in the US and the "cash for questions" furore in the British parliament belong here.

In both cases, offenders took advantage of lax rules or found themselves in the darker grey regions of tolerable practice. In the UK, it was not previously clear that MPs should declare all outside income in the Register of Members' Interests, while there was no clear divide between "acceptable" consultancy fees and "unacceptably" pocketing fees for posing par-

liamentary questions. Sleaze is readily tackled by tighter rules and more effective policing, though if parliamentarians and officials feel themselves underpaid, some are bound to seek dubious earnings. The same applies to the second category - corruption associated with "re-inventing government". As executive restructuring advances, with contracting-out, privatisation and devolution at its heart, new institutions are thrown up without the cultural or regulatory safeguards of the old. France and the UK are the year's foremost cases, France with scandals involving new regional councils and the contracting out of municipal services, Britain through dubious practices in new state agencies, particularly in the health sector.

The moral is clear: it is rash to assume that safeguards against corruption, however deeply embedded in existing institutions (such as the elite

national civil services of Britain and France), will take root elsewhere without strenuous inculcation.

The third category of corruption - the endemic, enjoying a wide measure of social tolerance and flourishing despite rules to prevent it - is the most difficult to address. This is because it is the most deeply

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rooted, and comes in a wide variety of forms. In some cases, such as Japan, the exchange of favours for cash is a common practice. In others, notably Yeltsin's Russia, extortion and racketeering are widespread and the rule of law weak; with dictatorships, the economy often becomes little more than a private fiefdom. Furthermore, the exposure of such corruption often has more to do with a change in circumstances - such as, in Italy, the rise of assertive judges - than

with an increase in corruption per se.

The past year has shown that where corruption is endemic it is hard to tackle. France, India, Japan, Italy and Brazil - to take the most notorious cases - have seen governments elected with the eradication of corruption as prime objectives founder helplessly. In some cases with "reformist" ministers - even prime ministers - charged with complicity in corruption.

Endemic corruption has an impact outside the countries immediately concerned because those doing business with them are almost invariably sucked in. Strict controls, such as those imposed by the US on its companies abroad, are not panaceas, although Dr Mark Pieth, chairman of the OECD working group on international business bribery, would like to see them more widely adopted. In Africa and Asia-Pacific, it is an open secret that many western companies use local joint venture

partners to engage in the bribery needed to win contracts.

So what is being done? Where the reliance of politicians on corporate cash has caused scandals, state funding of political parties is a stock response. According to Dr Karl Heinz Nassmacher of Oldenburg university, such funding has grown "dramatically" in the past 10 years.

State aid can help substitute for big corporate donations, but it rarely gets to the root of the problem, which is the expense of election campaigns. Dr Michael Pinto-Duschinsky, an expert on party finance at Brunel university, says: "Anti-corruption policies largely focus on management techniques, rather than on limiting campaign expenditure - and therefore reducing the debts which politicians have to pay." France, where the launch of generous state aid in 1988 did nothing to avert this year's scandals, is a case in point.

Where institutions exist - such as the Milan magistracy

Scandal month by month

JANUARY	Brazil corruption report names 12 leading politicians
FEBRUARY	Japanese bank state corruption probe
MARCH	Belgium's election followed by political corruption charges
APRIL	French minister of agriculture resigns after corruption charges
MAY	Malaysian attorney general resigns after corruption charges
JUNE	Chairman of the US House of Representatives committed charges with corruption by US
JULY	French communications minister resigns amid corruption charges; others follow
AUGUST	Colombian police corruption scandal; South Korea investigates bribery in nuclear industry
SEPTEMBER	China's Communist leaders call for renewed campaign against corruption
OCTOBER	Two British ministers resign following "cash for questions" furore
NOVEMBER	Revealed media allegations of government corruption in Spain
DECEMBER	Irish ministers resign after securities market scandal and sugar shortages

FRANCE Brave judges pursue ministers

By David Buchan in Paris

A wave of French corruption scandals this year has led to the resignation of two ministers, the detention of a third and of a senator, the investigation of the presidents of Alcatel and St Gobain as well as of lesser company bosses, and widespread pressure for a divorce between corporate money and politics. As a result, just before Christmas, the French parliament passed a law banning company donations to political parties and candidates. Though he was later forced by public opinion to back new legislation, prime minister Edouard Balladur's initial reaction was to argue that the very fact that scandals were surfacing was proof that existing political financing laws were adequate.

To a large degree, he was right. Magistrates are without doubt bolder in their targets and their tactics than they were. A Lyons magistrate had little hesitation in detaining Mr Alain Carignon, the former communications minister, in prison on charges relating to the award of a water contract to Lyonnais des Eaux by the city of Grenoble, of which Mr Carignon is still mayor. A judge from Rennes has relentlessly pursued Mr Gérard Longuet, the former industry minister, over allegations concerning his personal finances and those of his Republican party.

One particular politician-businessman, Bernard Tapie, has complained of a witch-hunt, noting that over the past 18 months investigation of his tangled affairs has involved 60 fraud squad officers detaining 74 people and taking no fewer than 230 sets of fingerprints. Yet it could be argued that it was only Mr Tapie's inclusion in the last Socialist government that prevented these investigations from starting earlier. However, it appears that the volume - not just the visibility - of corruption may be on the increase for several reasons. One is that the crackdown on the Mafia in Italy has led organised crime to branch into neighbouring regions, such as the French Riviera. French magistrates now meet regularly with their Italian counterparts to tackle this.

A more general problem is the consequence of the past 10 years of devolving more power from Paris to the country's 22 regions and 83 departments. This puts more power to award contracts into the hands of local politicians. And they have used this power. Part of France's new anti-corruption legislation is designed to make the award of public contracts more transparent and therefore less open to suspicion of sweetheart deals between contractors and local politicians.

But the law's total ban on corporate contributions to political parties and candidates will return the country to its pre-1988 situation when such contributions were illegal - in theory punishable as a misuse of corporate funds, but in fact widespread and tolerated. "This will just bring back the era of the bag men," predicts Mr Guy Carcassonne, a Paris law professor who helped the Rocard government design its 1990 law. This legalised limited corporate political contributions and required them to be reported to a control commission. It has hardly had time to work, and the fear now is that corporate money will continue to flow to politicians, but in envelopes and suitcases.

Reforms may prove to be a backward step

By William Dawkins in Tokyo

JAPAN

If corruption means the exchange of favours for cash, it is part of the fabric of Japanese society.

It has been increasing this year and is likely to go on rising in 1995. A new electoral system and elections for regional governors, mayors and part of the upper house this year suggests that the traffic in political influence, the root of most Japanese corruption, will get busier.

The definition of corruption in Japan is as relative as the country's own moral code. Prosecutors tend to pounce only when they believe the behaviour of a company or politician has gone beyond the limits of public acceptability. To take only its most celebrated incident, the past year has seen the resignation of a prime minister, Mr Morihiro Hosokawa, over allegations of borrowing from a parcel delivery company linked to gangsters.

He was not prosecuted. It was a minor offence by the standards of the Lockheed bribery scandal of the 1970s and the Recruit shares for favours scandal of the 1980s.

More spectacular than Mr Hosokawa's fall was the arrest last year and continuing bribery trial of a former construction minister, Mr Kishiro Nakamura. The case is linked to bribery cases involving 30 construction company executives and local politicians - the largest such affair since the war. On the corporate scene, there were revelations of bid rigging for overseas civil engineering contracts funded by Japanese development aid, plus insider dealing charges against 25 drug company employees.

All this has corresponded with a steady rise in public aversion to politicians. The latter have sought to improve their image by a sweeping reform of the political and electoral system, which took effect on Christmas Day. Ostensibly, the change is designed to make politicians less beholden to special interests. Many believe it will, at least in its teething stages, have the opposite effect. It will make politicians fight

harder for seats by replacing a multi-seat system, under which it was possible to get a seat with as little as 15 per cent of the vote, with a mixture of UK-style first-past-the-post single seat constituencies and European-style proportional representation regions. Corporate donations are to be curbed now and eliminated in five years' time, with a state subsidy for political parties, worth ¥30.9bn (¥138m), annually, thrown in as compensation.

However, analysts believe the new system will have the effect of increasing politicians' need for cash. Vote-buying has been a important part of Japanese politics since the formation of the Liberal Democratic party in 1955, and the main reason its top people have been so frequently caught breaking the law.

Under the old multi-seat system, LDP members often had to compete against one another to win seats. They were unable to offer voters a choice of policies, unless they had the good fortune to be one of the few LDP men standing against a Socialist. So an envelope stuffed with cash had to do instead; even better, a construction contract for a local company or a new swimming pool or road for an industrial district.

A sitting member needed to spend ¥500m to ¥300m in the six months leading up to an election, and ¥50m to ¥200m in routine annual running costs, depending on the size of the constituency, just to stay in business, estimates Mr Dan Harada, a political consultant.

Under the new system, the average politician will need to collect nearly twice as many votes as before to get elected. He will have to be top of the poll, rather than in the first five or six. He or she will also be under just as much pressure as before to buy those extra votes with cash, rather than policies. The recently formed main opposition party, the New Frontier party, espouses policies largely indistinguishable from the LDP, while the Socialist party has dropped most of its left-wing baggage to forge a coalition with the LDP.

Corruption has become so pervasive the practice carries no stigma

By Robert Graham in Rome

ITALY

Anti-corruption investigations have decapitated Italy's post-war political elite and discredited hundreds of businessmen and civil servants.

Yet almost three years of investigations spearheaded by Milan magistrates, the impetus is beginning to wane and public interest to decline. The magistrates' battle to stamp out the worst aspects of corruption is also degenerating into a conflict between the judiciary and the executive branch of government.

The most spectacular instance of this conflict is the move by Milan magistrates to incriminate Mr Silvio Berlusconi, the outgoing prime minister, for permitting corrupt practices in his Fininvest business empire. Mr Berlusconi's government countered by sending inspectors from the Justice Ministry to check on the activities of the Milan magistrature.

Mr Berlusconi claims he is the victim of a judicial vendetta and says he has done no wrong. He moreover defends his younger brother, Paolo, who has admitted paying 1330bn (¥123m) in bribes to the

Guardia di Finanza, the financial police, to ensure favourable inspections of Fininvest accounts.

In one sense Mr Berlusconi is right about the vendetta. Milan magistrates have picked upon him: as owner of Italy's second largest private company, they want to make an example of him in what might be called the second phase of the anti-corruption investigations.

The first phase ended with the collapse of the old political parties and the success of Mr Berlusconi's Forza Italia movement in the March 1994 general elections. That phase was intended to expose the incestuous and corrupt relationship between business and politics. Businesses funded the political parties with illicit contributions to individuals, internal movements and party secretaries. How much of this money was used for political activities as opposed to lining individual pockets is still a mystery. People have only admitted to what has been proven against them and most of the money was channelled outside the Italian banking system (mostly to Switzerland, Monaco and Luxembourg). In return the businesses were allowed access to state subsidies, were awarded rigged contracts and were protected from external competition.

The most detailed exposé has concerned the Ferruzzi-Montedison industrial group which spent more than L150bn (¥58m) between 1989 and 1992 in ensuring political protection. However, the Ferruzzi family and former top executives insist their pay-offs were involuntary - a defence raised by every business involved in corruption scandals. In other words businessmen were the corrupted not the corruptors.

The second phase of investigations is intended to demonstrate that the distinction between corruptors and corrupted is spurious. The core proof is emerging from an investigation into the Guardia di Finanza. This involves 30 members of this force plus many prominent business names.

The Guardia di Finanza are accused of taking bribes to turn a blind eye to poor or dishonest accounting and in return for low tax assessments.

In Italy it is common knowledge most companies keep two sets of books and that tax evasion is widespread. Pervasive corruption is encouraged by large sums of "grey" money that escape the tax net. If companies pay large bribes they can be dressed up as fake consultancy fees but more simply they are never registered in the formal books.

This lack of transparency is encouraged by the existence of a huge criminal world, which has enjoyed a degree of political protection and which needs to launder money on a vast scale and by the fact that the bulk of "legitimate" business is carried out by very small family concerns which are not easy to monitor.

Businesses claim it is simpler to bribe the Guardia than face difficulties. The Milan magistrates argue the businesses have put themselves in a position where they have things they wish to keep quiet and are therefore willing to pay. The magistrates are out to break this relationship and demonstrate that bribing a public servant - one in uniform who polices the most sensitive aspects of the nation's

finances - is a serious crime and not something "that everyone does".

The Guardia inquiry has shown public servants and businessmen brazenly continuing corrupt activities, even when the nation has been convulsed by corruption scandals. In part this is because corruption has become so pervasive the practice carries no stigma. But people are also encouraged to feel immune from prosecution by judges who have proved corruptible and by a judicial system that can be tied in knots by a jungle of contradictory laws.

The issue has pervasively become not how to stop the practice but how far the magistrates should be allowed to go in their investigations. The investigative process - let alone the passage through the courts - could last well into the next century. Politically such an open-ended timetable is highly destabilising. Yet any government that seeks to find a political solution risks being accused of letting the thieves go free and undermining any subsequent attempt to impose new moral standards on society.

Under its rules, no government official, high or low, may accept gifts or entertainment worth more than \$20 per occasion or \$50 per year from any single source, which has put a bit of a crimp in the Washington lunch trade, if nothing else.

Those who leave government now face tougher than ever curbs on their ability to walk through the revolving door into related commercial activities, especially if run by non-American interests. The restrictions may seem petty, even a disincentive to public service, but the climate of the times and voices such as that of Rose Perot demand them.

The administration also touts reform of campaign financing and lobbying as effective antidotes to the appearance of impropriety seeming to take precedence over the act itself. The Clinton administration came to power having campaigned against Republican "sleaze" and promised the highest ethical standards.

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Rules of the game become ever tighter

By Jurek Martin in Washington

UNITED STATES

It was only about 30 years ago that an intrepid reporter snatched a seat on the Senate floor to ask Senator Charles McNary how it was that since he was born dirt poor and had never earned more than \$10,000 a year as a multi-term governor of Arkansas he was able to retire to a splendid mansion. "I was parsimonious," was the reply, and that was pretty much the end of the story.

He could not have got away with the answer today. Hardly a week passed without an elected or public official coming under the investigative gun of the media and a federal, state or independent counsel.

This year two Washington heavyweights hit the dust. Mr Dan Rostenkowski, quintessential product of the Chicago Democratic political machine that always used money to grease its efficient political wheel, was forced to step down as chairman of the House ways and means committee after

being indicted on several counts of misusing congressional funds. (He was later defeated at the polls.) Mr Mike Espy, agriculture secretary, resigned because it was alleged he had accepted sports tickets and other favours of fairly nugatory value from agribusinesses he was supposed to regulate.

It is said, with some accuracy, of Mr Rostenkowski and Mr Espy that they failed to understand there had been changes to the once lax rules of the game applied in Congress where often modest favours (such as hospitality) were received and dispensed.

At the heart of the White House affair is the suspicion, still unproven, that money flowed in a clandestine manner from business interests to then Governor Bill Clinton's campaigns in Arkansas and, perhaps, subsequently at the national level. Congressman Newt Gingrich,

the next Speaker of the House, is the subject of persistent questions about the funding and use of his political action committee, the legal device through which so many politicians channel contributions.

Congressmen are also, by definition, beholden to powerful constituent interests. Senator Jesse Helms from North Carolina and Congressman Thomas Bliley of Virginia, for example, have never disguised their protection of their home state tobacco farmers, who have returned the favour with campaign money and, equally important, jobs for voters. In an era of ever more expensive elections, disappointing such interests can be costly.

Indeed, the rules of the anti-corruption game are forever changing, with the appearance of impropriety seeming to take precedence over the act itself. The Clinton administration came to power having campaigned against Republican "sleaze" and promised the highest ethical standards.

Under its rules, no government official, high or low, may accept gifts or entertainment worth more than \$20 per occasion or \$50 per year from any single source, which has put a bit of a crimp in the Washington lunch trade, if nothing else.

Those who leave government now face tougher than ever curbs on their ability to walk through the revolving door into related commercial activities, especially if run by non-American interests. The restrictions may seem petty, even a disincentive to public service, but the climate of the times and voices such as that of Rose Perot demand them.

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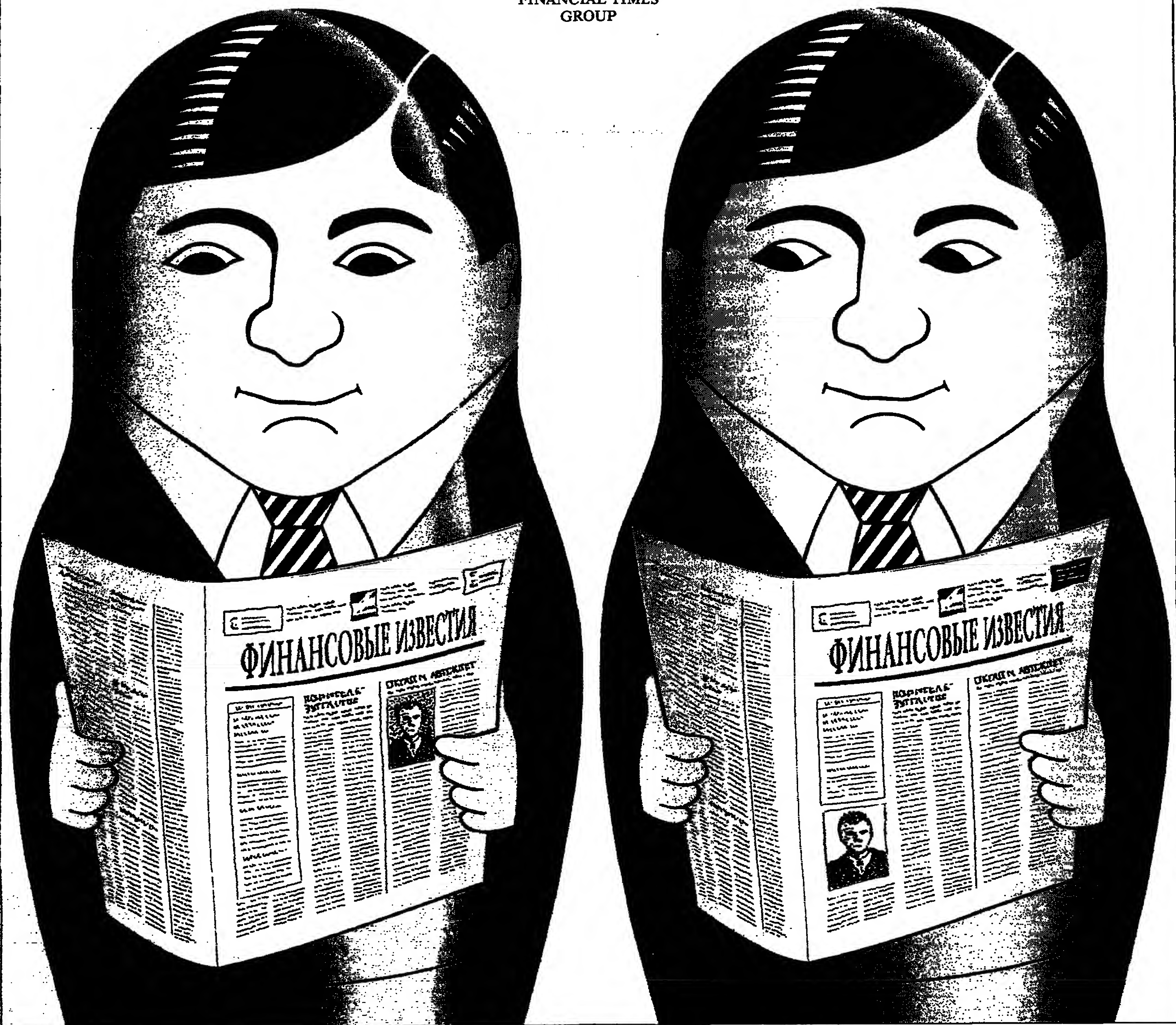
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FT PROFILE

NEWS: UK

Britain cautious over Hualon project

By Jimmy Burns

British government officials yesterday appeared to be backing away from their unequivocal endorsement of the controversial plan by Hualon Corporation of Taiwan to build a £160m textile plant outside Belfast.

The Northern Ireland Industrial Development Board is seeking detailed information from local officials in Taiwan about the repercussions for the Hualon Corporation of the indictment on Wednesday of Mr Oung Ta-ming, the effective head of the Hualon group, and 33 businessmen linked to him on share manipulation and other fraud charges.

"The Hualon project is clearly fraught with problems, no doubt about that. We said we were dealing with a

respectable and successful company. Now we have this," a British official said yesterday.

The IDB confirmed that it was delaying giving approval to the start up of construction of the plant until the outcome of legal action in the European Court in which European textile and clothing manufacturers are challenging to a £51m government grant to Hualon.

The case alleges the European Commission broke its own rules by approving the aid earlier this year. European manufacturers argue that the plant will add to capacity and threaten jobs in an already over-supplied sector. The case is expected to take about 18 months. Construction was originally due to get under way by autumn this year.

The IDB said it was "monitoring

developments in Taiwan closely" and "seeking clarification" to establish what involvement - if any - those indicted had with the Hualon project in Northern Ireland.

It added that he expected the indictment of Mr Oung to be among factors "taken on board" by the European court.

Mrs Jennifer d'Abo, a former IDB director who resigned last month in protest at the project, said last night it should now be scrapped.

She said: "This may mean a postponement of some of the jobs promised but I believe there are other inward investments which Northern Ireland could count on in the future."

She said that before she resigned she had written to senior officials of the

IDB asking for detailed information about pending criminal proceedings against Hualon executives, but had never received a satisfactory answer.

Mr John Speller, Labour's Northern Ireland industry spokesman, said the indictment of Mr Oung was a "matter of considerable concern which ministers should be looking at urgently."

The Hualon Textile Corp which announced the Northern Ireland investment earlier this year was not named in indictment documents. Mr Oung is thought to control the company, however, and was present in June at a joint ceremony marking the announcement.

The British Apparel and Textile Confederation said it was also asking the government to "review" its support for the Hualon project.

UK NEWS DIGEST

Ashdown warns of EU 'in danger'

Paddy Ashdown, leader of the Liberal Democrats - Britain's third major party - yesterday used his New Year's message to warn that the European Union was in danger of dying.

Strengthening the EU was Britain's best hope of containing nationalism in western Europe and preventing war in the east, he said.

Yet Europe's leaders and the British Cabinet were being "weak, diffident and uncertain" at a time when the argument for the EU was strongest.

"The European Union is the most important political idea of our century. But it is in danger of dying just when we need it most," he said.

"Unless those who believe in the European project are prepared to stand up and defend their vision, then 1995 could be the year when the idea of union in Europe began to die for want of people with the courage to defend it," he added.

He said that Britain's Tories were going to have to choose between short-term survival of a discredited government and loyalty to the European ideal.

Blue-chips flock to Labour's Euro-event

Scores of blue-chip companies and trade associations are to attend a ground-breaking Labour seminar in Brussels, which looks set to make a sizeable contribution to the opposition party's fighting fund for the next general election.

According to conference organisers, close to 100 organisations have booked places at the event, which will take place on the afternoon and evening of January 10.

These include Hanson, the conglomerate, Marks and Spencer, the retailer, News International, the media group, National Westminster Bank and the Chemical Industries Association, a trade body.

"The extent of corporate interest in the £500-a-head event is a fresh indication that business is starting to take Labour seriously."

The Chemical Industries Association said yesterday: "We are interested in meeting leading figures in all political parties. We are looking forward to an interesting and useful seminar."

According to one conference organiser, Labour's profit from the event - to be attended by more than half the party's 62 MEPs - is likely to run into tens of thousands of pounds.

Labour is claiming the seminar, which is to be addressed by Mr Tony Blair, the Labour leader, will be the biggest event ever organised by a British political party in Brussels.

Mr Wayne David, leader of Labour's MEPs, said the conference - to be called Labour Working in Europe - was designed to establish "close working links" between business and the Labour party at a European level.

Labour intends to follow up next month's seminar with regional events in the spring in Scotland, Wales and England.

Land Rover output hits record

Rover group has increased output of its Land Rover four-wheel drive sports utility vehicles by 89 per cent this year to a record 94,716 from 63,159 in 1993.

Rover, a subsidiary of BMW of Germany and the leading European maker of four-wheel drive sports utility vehicles, has gradually raised production of Land Rover vehicles from 1,300 a week in January to 2,600 a week this month.

At current levels output is set to rise steeply again next year to around 120,000.

Production has been increased in particular to meet rising worldwide sales of the Land Rover Discovery, which was launched in North America early this year. Total Land Rover sales in the US have increased by 138 per cent in the first 11 months this year to 10,094.

Crash law suit for US

Survivors of the Cormanor Alpha tragedy and bereaved families have won their fight to sue Shell, the major oil company, for compensation in the Texas courts.

Eleven people died when a Super Puma helicopter plunged into the sea during a "short hop" flight in appalling weather in the North Sea in March 1992. There were six survivors.

According to lawyers none of the survivors or the relatives of victims has to date received any compensation.

Air price cut war

British Airways today announced its biggest batch of bargains since its World Offer programme was launched in March, with cut-price fares available on more than 200 routes.

Savings on the usual lowest return fares range from £10-£20 on domestic UK routes to £454 for flights to Manila.

Tickets are on sale from today until January 18, with most departures available until the end of March.

The move brought an immediate response from Mr Richard Branson's Virgin Atlantic airline, which said it would undercut BA's prices by £1 on all routes which the two airlines both operate.

Gaming set for change

Gaming machines should be able to pay out all their prizes in cash instead of tokens, Mr Michael Howard, the UK home secretary, said yesterday. He also suggested that betting shops should be allowed to install gaming machines and that maximum cash prize limits should be changed.

The proposals, in a consultation paper to be issued by the Home Office early next year, were welcomed by the fruit machine industry.

Official R&D spending lowest in past decade

By David Owen

Britain's Department of Trade and Industry is spending less on research and development than at any time for at least a decade.

Figures this month show the department's R&D expenditure is about to fall to £245m in the present financial year from an estimated £310m in 1989-94 and about £500m a year in the late 1980s. R&D spending is expected to account for just 17.8 per cent of total departmental expenditure in 1994-95, down from 23 per cent in 1989-94 and more than 33 per cent at its peak in 1987-88.

The opposition Labour party pounced on the figures, saying they made a "farce" of the government's claims to be a supporter of British manufacturing and innovation.

Mr Brian Wilson, a Labour frontbench trade and industry spokesman, said nobody but the government believed cutting support for R&D made sense. "In our competitor countries, R&D is regarded as essential investment rather than an easy target for spending cuts," he said.

Mr Richard Caborn, Labour chairman of the Commons trade and industry committee, was "very concerned" about

the downward trend. "We ignore it at our peril," he said.

Mr Michael Heseltine, trade and industry secretary, said the decline in R&D spending reflected fluctuations in the amount of aid provided by the government in civil aerospace investment over the period in question.

In the first half of the decade, launch aid payments far outstripped receipts, Mr Heseltine said. That situation had now been reversed.

From £32.9m in 1992-93, launch aid payments are expected to fall to an estimated £4.6m in 1993-94, £6.6m in 1994-95, £25.3m in 1995-96 and £8.4m in 1996-97. The government's net receipts, which it gets once projects reach a certain production stage, were an estimated £58.1m in 1993-94 and are budgeted to rise to £80.9m by 1996-97.

Mr Heseltine said there had also been a "substantial" cut in energy R&D spending. He said the principal factor was the decision to withdraw from research on the prototype fast nuclear reactor at Dounreay.

Mr Wilson retorted that if support fell off in one area, such as the Dounreay reactor, it was "reasonable to expect a boost in some other needful area".

Fewer UK businesses fail

By Peter Norman, Economics Editor

Business failures in Great Britain fell sharply this year as economic recovery gathered strength and lifted the fortunes of small as well as large businesses, Dun & Bradstreet, the business information group reported today.

Its latest annual tally of business liquidations and bankruptcies showed a record 16.3 per cent drop in failures in England and Wales to 40,256 this year from 45,096 in 1993.

The drop for mainland Britain, including Scotland, was more pronounced at 21.8 per cent to 43,598 in 1994 from 55,733 last year.

This reflected a 56.4 per cent

decline in Scottish business failures over the year to 3,343 from 7,667 in 1993, following changes in Scottish bankruptcy regulations which reduced the financial incentive for companies to be placed in bankruptcy.

The news was hailed by Mr Anthony Nelson, Treasury minister, who said this largest ever drop in the failure rate of businesses would boost confidence in job security.

Mr Philip Mellor, Dun & Bradstreet's senior analyst, said the last time the number of business failures in Britain fell as sharply as this year was in 1987, before the recession.

However, at that time the number of companies going out of business was far

smaller, at less than 20,000 in England and Wales.

Dun & Bradstreet takes the view that the bankruptcy figures are a good proxy for small company failures while medium and large companies go into liquidation.

After stripping out the exceptional Scottish figures, the statistics for England and Wales showed a 15 per cent drop in bankruptcies to 24,505 this year from 28,846 in 1993.

Liquidations were concentrated in London, with just over 29 per cent of the British total in 1994 and 1993, and the south east with slightly more than 22 per cent in both years.

Bankruptcies were concentrated in the south east, the south west and Scotland.

Softer line urged on bosses

Employers should renounce the macho management style of the 1980s and attempt to understand their employees' feelings, according to new official guidelines, Richard Wolfe writes.

Britain's Health and Safety Executive says employers need to pay more attention to their relationships with employees to prevent stress-related ailments in the workplace.

The guidance, to be published early in the new year, is the first official health and safety advice to deal with occupational stress.

"In the 1980s in this country,

many employers shared the unfortunate attitude that admitting to stress was admitting to a personal weakness," says the HSE. "But we all have a threshold - even the toughest guys have a threshold which, when crossed, can become a negative factor. We want to promote the preventive approach through education."

About 80m working days are lost every year because of stress, according to Department of Health figures published at the Confederation of British Industry conference last month. Mental health troubles, such as headaches, irrita-

bility and indecision, are estimated to cost the UK economy £2.7m annually.

The HSE guidance, mainly aimed at small to medium-sized businesses, comes after a former social worker last month successfully sued his employer for negligence over his heavy workload.

Stress at work has risen alongside the fear of redundancy, according to a survey of 426 private and public sector companies. Research by white-collar union MSF showed that 43 per cent of employees feel poorly treated by their employers.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.



UNHCR
United Nations High Commissioner for Refugees

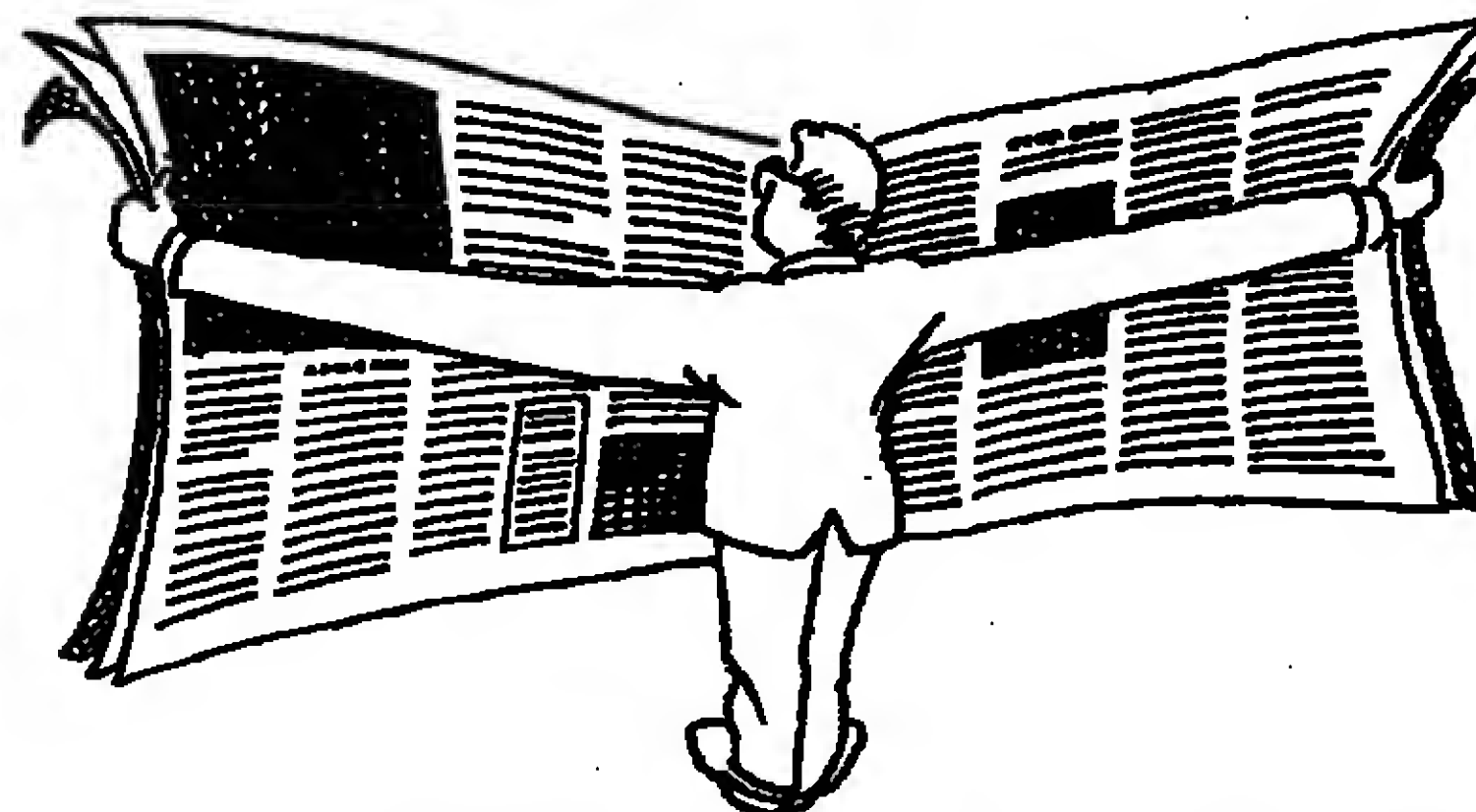
We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
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I already use online ☐ Yes ☐ No

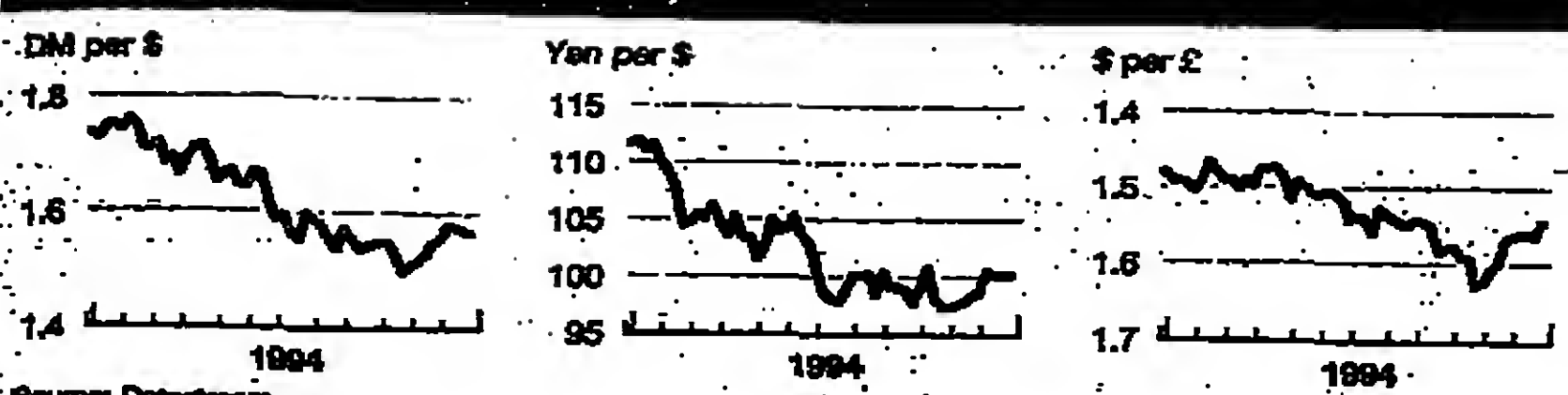
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BUSINESS INFORMATION

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THE YEAR 1994

But it looks good against the peso



"I am a totally unexciting person."

Germany's new president Roman Herzog

"The headlines have already been written. Tomorrow's paper will read: 'Bozo, Baldheaded Old Senate Farts Still Don't Get It.'"

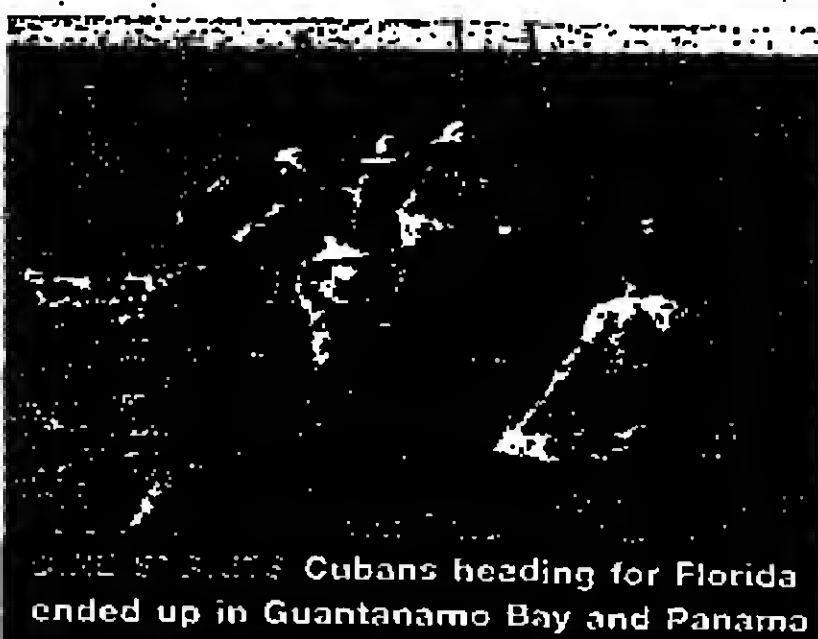
Washington Senator Alan Simpson after an editorial who misinterpreted a joke into sexual harassment at Talkback convention was allowed to retire with a promotion

"In cultures that routinely eat beans, you don't hear a lot of complaining about flatulence."

Dr Gregory Garry, US Department of Agriculture expert on beans

"Her moral compass is as strong as anybody's in the country."

Bill Clinton on Hillary Rodham Clinton



US Marines' Cubans heading for Florida ended up in Guantanamo Bay and Panama

! Railway children

Jimmy Knapp

Bob Norton

One-track mind

Peter Tinsdale

Two-track mind

Wolfgang Schauble

All aboard

Santa Fe Pacific



! Palestinians, in charge on their own soil, fell out among themselves

! A to Z

Abba

Dawag

Chi Prieta

Esab

Fayed

Grozny

Hamas

Internet

Javier de la Rosa

Kuchma

Laszlo

MIM

MUGs

Co

Peatland

Quintana

Rutland

Suzanne

Tapie

TBS

Wacom

Whips

X-Files

Yabba dabba doo

Zedillo

! Brazil won World Cup on penalties

! "I cannot help wondering if the Royal Family were less well protected and privileged would their children be taken into care."

Letter in the Daily Telegraph

"If we are to broaden the debate about constitutional reform as regards the monarchy should we not be considering the Russian as well as Scandinavian models?"

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Paddy Ashdown

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Conservative MP Tony Marlow to John Major

John Smith "is the man who likes to say 'yes' to Europe - Monsieur Out, the people of Brussels."

John Major

! Landing rights

Kansai

Only

White House lawn

! Will the last one out...

Lloyd Carter

Webster Hubbell

Bernard Massam

Lloyd Bentsen

Doc Dea Myers

David Gergen

! Spoils

VSEL

Speller

GEC

! Spoiled?

B&E

! Those in peril

Estonia and Cuba

City ferry disasters

cost more than 1,000 lives

! On this ice

Tonya Harding

National Hockey League

! Nightmare before Christmas

Q&A

! Derivatives

Other 1994 reviews

JULY

Yasser Arafat comes home to Gaza and then Jericho as Israeli protesters clash with police in Jerusalem. Laszlo escapes Enterprise's bid. Colombian Andres Escobar is murdered for scoring an own goal and Brazil wins the World Cup in a penalty shoot-out. Derek Keys resigns as South African finance minister. Kim Il-Sung of North Korea dies; his son, Kim Jong-il, takes over. Leonid Kuchma wins Ukraine's first presidential election. Jacques Santer of Luxembourg is chosen as European Commission president. John Major shuffles John Patten out the door. Jeremy Hanley becomes party chairman. Michael Portillo takes on the unemployment portfolio and Jonathan Aitken is appointed Treasury chief secretary. Tony Blair beats Margaret Beckett and John Prescott to lead Labour. Prescott elected deputy. Prince Charles admits on television he was unfaithful to his wife - but only after his marriage had "irretrievably broken down". Cholera breaks out among Rwandan refugees in Zaïre. Salvatore Sciacca, senior manager at Fininvest, admits paying three bribes to Italy's financial police. The Department of Trade and Industry takes no action against Lord Archer. MIM, pyramid investment company, collapses in Russia. Culture minister Jacques Toubon launches a campaign to restrict use of foreign languages in France, and becomes known as "Mr Allgood".

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National Hockey League

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Q&A

! Derivatives

Other 1994 reviews

AUGUST

Irish Republican Army calls "unconditional" - but won't utter the word "permanent" - ceasefire, after 25 years of Ulster violence. Five French gendarmes and consular officials are killed in Algiers. China and Taiwan reach their first substantial agreement since 1949. Bosnian Serbs refuse to endorse an international peace plan. Sergei Mavrodi, president of MMM, is arrested. Israel and Jordan open a new border crossing. Susana Higuchi decides to stand against hubby Alberto Fujimori in Peru's presidential election. The Fed lifts US interest rates again. "Carlos the Jackal" is captured. German with something to declare is arrested in Bremen with a stash of plutonium. UK inflation rate falls to lowest in 27 years, but "feel-good" factor is elusive. Another victim is caught in the Whitewater froth as deputy Treasury secretary Robert Altman quits. Florida declares emergency as Cuban refugees flood into the state. Clinton announces tighter trade embargo on Cuba and thousands of refugees are housed at Guantanamo Bay. Ethical investment manager Franklin Research and Development bans Body Shop International shares, citing concerns about its social and environmental activities. Earthquake kills 150 in Algeria. French troops quit Rwanda. Ernesto Zedillo wins presidential election in Mexico. Lockheed and Martin Marietta agree \$10bn merger. Kelvin McKenzie falls from sky.

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SEPTEMBER

Albert Reynolds meets Sinn Fein, John Major ejects Democratic Unionist Ian Paisley from Downing Street, and Gerry Adams visits the US again. The Estonia sinks between Tallinn and Stockholm, with the loss of more than 900 lives. Britain's four-month rail dispute is finally settled. Louro's Tiny Rowland escapes a challenge from Dieter Bock (but not for long). Moslems and Catholics ally to protest against birth control and abortion at the International Conference on Population and Development in Cairo. Malaysia lifts its UK trade ban. John Major calls for a drive to displace "job culture" in Britain. The fifth USAir crash in five years kills 132 people. Kenneth Clarke lifts UK rates to 5.75 per cent as GDP is at its highest level in six years. A small aircraft crashes into the White House. Dial-a-diplomat Jimmy Carter makes a deal with Haiti's junta leader Raoul Cedras, for return of ousted president Jean-Bertrand Aristide. US troops land in Haiti for Operation Uphold Democracy. John Major visits South Africa. Plague in India kills 20. Francisco Ruiz Massieu, secretary general of Mexico's ruling PRI, is assassinated. British Aerospace launches bid for VSEL, the UK submarine maker. Boris Yeltsin can't find his feet after landing in Dublin. Was he legless? Knock-knock. Who's there? OJ. OJ who? You're on the jury. Simpson's trial opens in Los Angeles.

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"Co-operation - yes, compromise - no."
Newt Gingrich, Speaker-designate of US House of Representatives

"It doesn't matter how much good I do the rest of my life, I can't ever outweigh the evil that I've caused by helping him to be elected to Congress."
Kip Carter, Gingrich's former friend and campaign treasurer

Three Men with a New Baby
Steven Spielberg
Jeffrey Tambor
David Cohen

Thank Yammak
Mark Thatcher

"We have a Citizen's Charter which says you can get £5 back if you wait more than 15 minutes for a train, but what do you get back if you can't get on a train?"
Victoria Scott, parliamentary campaign officer for Rader and daughter of Sir Nicholas Scott, minister who misled House of Commons about government tactics to kill disabled rights bill

The colour of money
Gedric Brown
Faded
Conrad Black
Orange County

Outed
Richard Gott

"Banana fungicide poisoning Ecuadorian slinkings."
FT March 2

"Pasta features 180 day."
FT March 8

"Indonesian noodle maker launches rare exchangeable issue."
FT March 29



BOSS AND PRINCE A Roman empire rose and fell in only nine months



From prison to presidency in only four years

How late?
James Keshan

Read all about it
Lewis/Nevis
Find him elsewhere
Peter Davis

"Quite frankly, if you bed people that I call 'below stairs class', they go to the papers, don't they?"
Jane Clark, wife of former defence minister Alan Clark, who says that her husband had had affairs with a woman and her two daughters



Ethnic slaughter cost more than half a million lives

"We are going to concentrate on pharmaceuticals from now on, rather than investment banking."
Glenn Feldman, after losing £100m on financial derivatives

"Barring surprises, the trophy will go to one of a handful of top teams."
FT Guide to World Cup Football

"I wish to protest at the appalling waste of taxpayers' money in developing a missile with a range of 7,000 miles. Neither Paris nor Brussels is that far away."
Letter in Daily Telegraph

Four weddings
Lordwood - Martin
Marble
De La Rue - Portia
Viacom - Paramount
Jackson - Presley
A funeral
Swan Hunter

Betrothal
Lloyds Bank -
Cheltenham &
Gloucester
Lords Permanent -
Hafiz
Left at the altar
S.G. Warburg
Kempner
QVC

Hanging on
Metallgesellschaft
Queens Most Notions

Cut and run
Jürgen Schneider

Frequent flyer
Henry Carter
Grounded
US computer
airlines

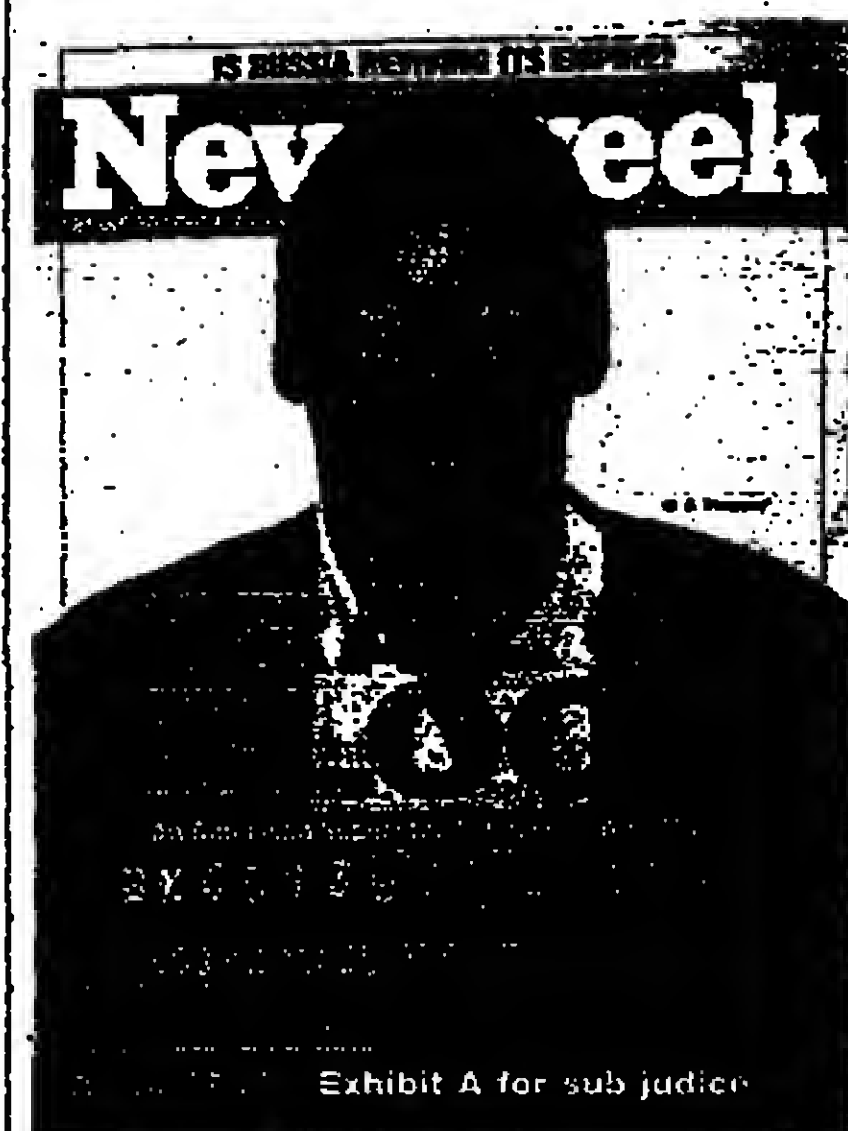


Exhibit A for sub judice



Warne elaborated on Lara's theme

Shown the door
Tina Turner
John Patten
Marjorie Saxe
Marjorie Saxe
Tina Turner
Tom Foley
Marjorie Saxe
Andrew Mc
Kelvin MacKenzie
Albert Reynolds
Rex Sander
Marjorie Saxe
David O'Brien
Leonid Kravchuk
Neil Hamilton
Tim Smith
Michael Miles
Baroness O'Connell
Peter Gross
Man from the Pri

Shown the floor
Michael Moore

Home again
Yasser Arafat
Alexander
Solzhenitsyn
Bryan Gould

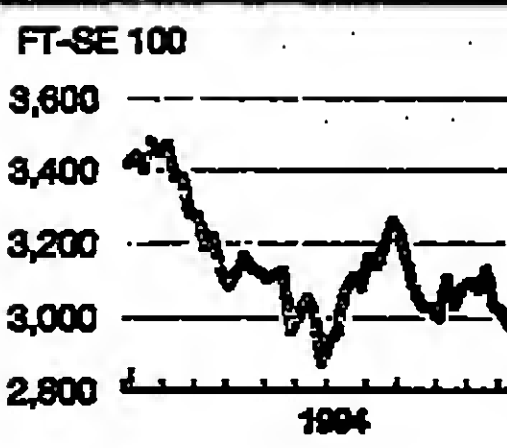
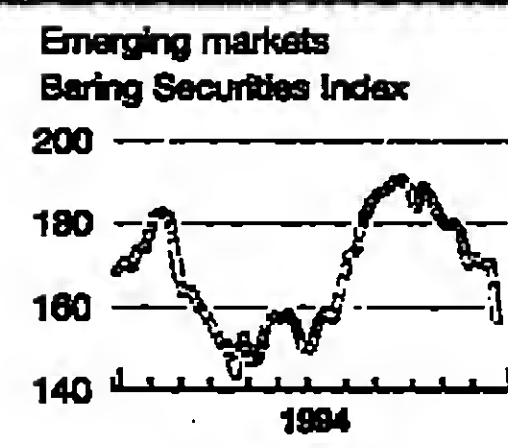
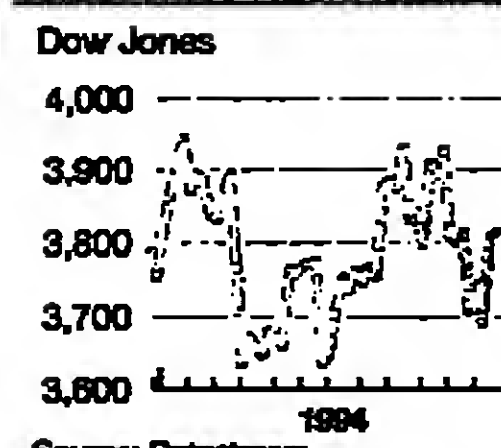
Whatever day this
is, it must not be
Boris
Didier Piech
Valenciano

Can't non plus
Andre Rousselet

Checking in
ITT Sheraton at Oga
Fort at Meridian
Checking out
Giles Sheppard

Party animal
Michael Portillo

Stocks backed by bonds



Source Datastream

"I have no wish to move in absolute terms. The wish to move is in relative terms."
Sir Bryan Carver, quitting as the UK's director of fair trading

"Has he asked at reception?"
Hotel employee during English stage of Tour de France, on being told that cyclist Chris Boardman had lost the yellow jersey

"We played well, but playing well is no substitute for losing."
Rugby league player Phil Clarke after Great Britain lost Third Test to Australia, 23-4

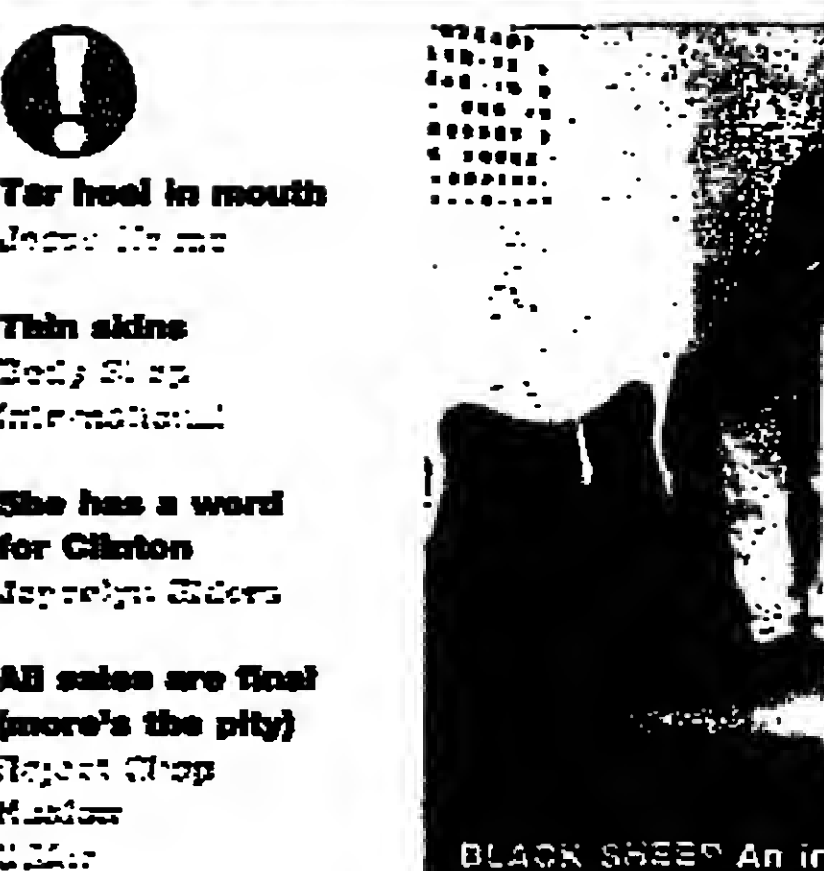
"If Enoch Powell is right we're going to have to make a lot of changes to church architecture."
Catholic media office on being told of the theory that Jesus was not crucified

"He can't take care of his own business, much less ours."
Baltimore Oriole pitcher Ben McDonald asked if President Bill Clinton might intervene in the baseball strike

"Looks like I picked a bad year to have a good year."
Seattle Mariners baseball star Ken Griffey Jr



EARTHQUAKE Not yet the big one, but Southern California was rattled



BLACK SHEEP An inky vandal upstaged Damien Hirst

JANUARY

Greece takes over the EU presidency and snubs former Yugoslav republic Macedonia. Another long, bloody Balkan year begins as six are killed in Sarajevo. You just can't get good stuff any more. Yegor Gaidar, Russia's prominent economic reformer, and Boris Yefimov, finance minister, quit the cabinet. Bobby Ray human withdraws as Bill Clinton's nominee to replace defence secretary Les Aspin. (William Perry takes the job). MP Tim Yeo quits the government after divergence between his preaching and practice on family values. Peasants rebel in Mexico. Clinton and Yeltsin agree to dismantle Ukraine's nuclear arsenal. Duchess of Kent is the first British royal since 1700 to become a Catholic. BMW takes over Rover. Clinton is dogged by accusations about Whitewater. Los Angeles earthquake kills 42 as fires rage in Sydney. A hitman hired by the ex-husband of Tonya Harding, Olympic ice skater, battles the legs of her arch-rival Nancy Kerrigan. Links between UK arms sales and aid to Malaysia to build the Pergam dam are revealed. MAI bids for Anglia Television (soon after Lord Archer places orders for 50,000 shares, unbeknownst to the world, and he says, his wife, who sits on the Anglia board). Morihito Hosokawa's reform plans fail to pass in the upper house of Japan's parliament. BSkyB can say "Gotta" as it scoops Kelvin MacKenzie from the Sun.

FEBRUARY

The Fed raises its US federal funds rate 1/4 of a percentage point. International bond and stock markets tumble. More than 50 Palestinians are massacred by an extremist Jewish settler in Hebron; peace talks break down. The Bank of England cuts UK base rates by 1/4 of a percentage point. Morihito Hosokawa is forced to withdraw his ¥18,000bn tax plan. Tony O'Reilly and Mirror Group Newspapers battle for ownership of the Independent. (The Mirror group wins in March). Kevin and Ian Maxwell block the production of Maxwell, the Musical. An American paraglider who lands half-naked on Buckingham Palace is fined £200. Italy's Northern League seals an alliance with Forza Italia, the party of media magnate Silvio Berlusconi. It's all in the family as Milan magistrates issue a warrant to arrest Silvio's brother, Paolo, for suspicion of corruption. Tory MP Stephen Milligan dies in unusual circumstances. George Soros loses \$600m on Valentine's Day. The European Commission fines steel manufacturers £75m for operating a cartel. Viacom wins its bid to control Paramount. Euro Disney accepts a rescue package from its banks. A senior CIA agent and his wife are charged with spying for the KGB. Malaysia halts all deals with UK, complaining of a Sunday Times report on the Pergam dam affair. 500 are killed in ethnic fighting in Ghana.

MARCH

US fighters shoot down four Bosnian Serb aircraft. Yeltsin fires his domestic intelligence chief. Berlusconi's Freedom Alliance wins a landslide victory in Italy. Andrew Neil, editor of the Sunday Times, eats humble pie and sends a conciliatory letter to Kuala Lumpur. Luis Donaldo Colosio, presidential candidate for Mexico's ruling Institutional Revolutionary Party, is assassinated. Ernesto Zedillo takes his place in the elections. Eleven women are found buried under houses in Gloucester. British Nuclear Fuels wins 11-year battle to open the Thorp re-processing plant. Germany threatens to ban British beef for fear it is tainted with "mad cow" disease. IRA fires two mortar bombs at Heathrow Airport. Kishiro Nakamura, construction minister, is arrested in Japan's biggest corruption scandal since World War II. Nazi collaborator Paul Touvier is tried for crimes against humanity. Forty killed as South African army moves into Bophuthatswana. The US and Japan avert sanctions in an 11th hour cellular phone accord. North Korea withdraws promise to allow UN nuclear inspections and US deploys Patriot missiles to South Korea. Coca-Cola insists that Coke is "it" as Sainsbury's unveils a look-alike. The UK is pressed to accept a compromise on its voting veto in the EU. The Eurofighter makes its maiden flight. The Church of England ordains its first women priests.

APRIL

History is made in South Africa as the first multi-racial elections overcome threatened boycotts and mishaps with voting papers to end minority white rule. Morihito Hosokawa jokes to comedians that he wants to stand down. Two days later he quits under a cloud of financial impropriety and Tsutomu Hata produces a conservative-dominated minority government. Fourteen die as Hamas bombs two Israeli buses. The presidents of Rwanda and Burundi are killed when their plane is shot down, sparking ethnic massacres in Rwanda. German property developer Jürgen Schneider takes the money and runs. UK chancellor Kenneth Clarke and Bank of England governor Eddie George begin publishing the minutes of their monthly meetings - six weeks after they shoots down two US Army helicopters over northern Iraq. Kidder Peabody fires chief government bond trader for allegedly fabricating \$350m in trading profits. Former US president Richard Nixon dies. Belgium's Jean-Luc Dehaene is tipped to succeed Jacques Delors as European Commission president. Procter & Gamble claims rival Unilever's new detergent rots rather than cleans clothes. Enterprise Oil launches \$1.45bn takeover bid for Lamsco. Lloyds Bank agrees to take over Cheltenham & Gloucester building society. After court rebuff, they find new plan.

MAY

The newly elected South African parliament chooses Nelson Mandela as the country's first black head of state. John Smith, leader of Britain's Labour party, dies of a heart attack, aged 55. Reports of up to 200,000 dead emerge from Rwanda as rebels capture Kigali. Israeli soldiers formally quit Jericho, and five days later, they leave Gaza. Dutch prime minister Ruud Lubbers declares his candidacy to replace Jacques Delors as European Commission president. Whitewater prosecutor Robert Fiske is subpoenaed for the files on Vincent Foster. White House counsel who died mysteriously. Yemen is riven by civil war. In a local election rout, the Liberal Democrats gain 388 seats while the Tories lose 428. Even traditionally true-blue Tumbidge Wells is disgusted. The Fed raises the discount rate. Eurotunnel launches a rights issue. Troubled German engineering company Metallgesellschaft announces restructuring. European Commission abandons its steel industry rescue plan (only to revive it a month later). Jacqueline Kennedy Onassis, the closest America came to having a queen, dies of cancer in New York. Camelot consortium wins the bid to run the UK National Lottery. Russia and Ukraine bicker over the possible secession of Crimea. A mysterious flesh-eating bug kills seven. Argentine captain Diego Maradona is suspended from football for using drugs.

JUNE

The US is transfixed by OJ Simpson, a story which - like the former football hero - runs and runs. Police pursue alleged California freeway bomber. Charged with murder of ex-wife and her friend, Simpson becomes catalyst for media overkill on forensic science, racial attitudes, spouse abuse and... media overkill. John Major vetoes Jean-Luc Dehaene. Israel launches air raid on Lebanon, killing 45 pro-Iranian Hizbullah members. Allied veterans march on Omaha beach to commemorate the 50th anniversary of D-Day. Helicopter crash in Scotland kills 29, including senior special branch officers in Royal Ulster Constabulary. Hata loses a vote of confidence and Tomimichi Murayama, leader of left-wing Social Democratic party, becomes Japanese prime minister. Labour celebrates best Euro-election results. RMT signal workers begin series of UK rail strikes. Austria votes for EU membership. Economist Ernesto Samper becomes president of Colombia. George Michael loses his Freedom in a battle to nullify contract with Sony. Daily Telegraph cuts coverage price to 30p, the Times cuts to 20p, and the Independent complains. Former US president Jimmy Carter mediates in North Korea. North and South Korea agree to hold their first meeting. Bernard Tapie is investigated for fraud and tax evasion. Argentine captain Diego Maradona is suspended from football for using drugs.

150 من الـ اصل

Britain's opera houses move into the future

Richard Fairman reviews a morale-boosting year of innovative productions, noisy audiences and new theatres

The nation may have lost its enthusiasm for moving house, but opera companies are on the move as never before. In a round of keeping up with the Joneses that puts Acacia Drive to shame, UK opera companies are all - with one exception - in the process of redeveloping, upgrading, or building new homes from scratch. It has not gone unnoticed in political circles that the first new opera house to open its front door to the public was the only one in the private sector. Glyndebourne did everything right. Having raised private sponsorship during the boom years, it built its new theatre when costs were low during the recession. In May, 60 years to the day after the first performance in the old house, this handsome building combines good acoustics and international class, all at the very reasonable price tag of £38 million.

Nobody will have begrudged Glyndebourne its year of triumph, not even those who booted the new production of *Don Giovanni*. As well as the theatre, this year's festival inaugurated a new artistic partnership between Andrew Davis as music director and Graham Vick as director of productions, a team which has ambitions to lead this rural festival into new pastures, more challenging than the old.

Their own contribution to the season was Tchaikovsky's *Eugene Onegin*, stylishly designed, well sung and played. This was self-evidently an evening of quality, even to those (admittedly a minority) who found it cool and calculated, as I did. Deborah Warner's uncompromising production of *Don Giovanni* divided opinion more violently. The key question for Glyndebourne is how far its core audience will be prepared to support this shift in artistic direction. Seats used to be like gold dust, but not this year. What will happen in 1995, when the new productions are Rossini's *Barbier de Séville* and Janáček's *The Makropoulos Case*? Or in 1996 with Handel's rarely-heard oratorio *Theodora* (in the hands of *enfant terrible* Peter Sellers) and Berg's *Lulu*?

At Covent Garden any action on the rebuilding front remains on hold at the moment. Westminster City Council approved the revised plans for the £100 million redevelopment scheme submitted by the Royal Opera House in June, but that was probably little more than a formality. The phantom of the opera waiting in the wings for the general director, Jeremy Isaacs, is public opinion, which dislikes the



"The Rhinemaidens as fat, flubbery Michelin-girls" - a scene from Richard Jones' controversial production of 'The Ring' at Covent Garden

Alastair Muir

idea of the poor man's National Lottery stake going to pay for the rich man's opera-house.

For the time being, however, morale at the Royal Opera remains fairly high. Nothing brings a company's artistic strategy more clearly into focus than embarking on Wagner's *Ring*. After a couple of false starts in recent years - one staging abandoned, another borrowed - this latest production by Richard Jones looks set to run the course, guaranteeing front-page news as it goes its wild way. Either one loves Wotan as a traffic cop and the Rhinemaidens as fat, flubbery, Michelin-girls, or one hates them.

To please its paymasters, the Royal Opera might think of making a gesture towards the UK's balance of payments. A clear trend has emerged this year for in-house productions - like Massenet's frothy *Chérubin* and the recently-televised *La traviata* - to be sturdy examples of British manufacturing, while those imported from overseas have been shoddy goods. Did nobody notice that the Old Testament dust

had settled on Rossini's *Mosè in Egitto* before it left Bologna, or that the kiss of death had long since suffocated Ponhouse's moribund production of Gounod's *Roméo et Juliette*?

The Royal Opera also hit the headlines when The Hecklers booted and jeered a revival of Britten's *Gaetano*. Ironically their protest backfired: thanks to the publicity the opera was a near sell-out, so "boo" to them instead. In musical terms it has been a good year, especially for the music director, Bernard Haitink, who was praised for his *Ring* and showed himself a tender Janáček conductor with *Katya Kabanova*. If the redevelopment becomes reality and the Royal Opera House closes in 1997, what will he do? Surely he will not be content to be conductor without portfolio?

One irony is that the arrival of the National Lottery could give us less arts, not more. If English National Opera succeeds in getting the £40m it requires for the refurbishment of the Coliseum, both

London opera-houses could be closed for building work at the same time. Restoring Edwardian grandeur is the aim here: much of the splendour of Frank Matcham's Imperial Rome interior is under a layer of grime at the moment (how many have seen the mosaic floors proclaiming "Salve" inside the entrance?).

The company spirit at ENO will have been buoyed by a rise in attendances to around 78 per cent (up from 60 per cent) since the summer. Having inherited a stock of productions that the Arts Council declared redundant, the new regime has set about renewing the standard repertoire at top speed. Sometimes the haste was obvious. Productions such as *Così fan tutte* and *Eugene Onegin* sought to offer novelty at the lowest possible dent to the balance sheet and may be replaced themselves in a year or two's time. The disastrous *Jenůfka* will probably not last even that long. Perhaps the

disposable opera production has finally arrived.

Dennis Marks, the general director, will be aware that his successes have been the most professional presentations, like Massenet's long-unseen *Don Quichotte* and Strauss's *Der Rosenkavalier* with old ENO troupers Anne Evans and John Tomlinson lured back from Bayreuth. Musorgsky's five-hour *Khovanshchina* offered an epic lesson in Russian history to the party faithful turned up in large numbers. Even Judith Weir's slip of a new opera, *Blond Eckbert*, was reasonably well attended, although Marks looked enviously at the full houses for Britten's *The Turn of Mind*. If only The Hecklers could have visited ENO too, he opined ruefully.

Scottish Opera is lucky enough to have unveiled its new theatre already. Although the company's base remains in Glasgow, it now has the refurbished 1920s Empire Theatre for its visits to Edinburgh. A highly-praised gala performance of Wagner's *Tristan und Isolde* in June marked the transformation of

this ex-bingo hall into an opera-house of some style, blessed with excellent sight-lines and lively acoustics - all for a mere £2m out of the corporate sponsor. The canny Scots spend their money wisely.

In artistic terms, more regrettably, there was no profanity either. The company enjoyed modest successes, such as a pleasing *L'elisir d'amore* and an effective *Peter Grimes*, but Tim Albery's staging of *Fidelio* was the only one to exhibit real flair and ambition. Perhaps surviving at all in the present economic climate is as much as one has a right to expect.

Smaller companies did not enjoy a good year. Opera Factory made a heartrending appeal from the stage for donations, but after their cliché-ridden production of Stravinsky's *The Rake's Progress* and the premiere of Nigel Osborne's uncommunicative *Sarajevo*, sympathisers will have put their wallets straight back in their pockets. Almeida Opera's two premieres - Elena Firsova's *The Nightingale* and the Rose and Jonathan Dove's *Stren Song* - were

short and sweet. English Touring Opera kept ticking over with *La Bohème* and Gluck's *Orfeo*. The exception (again!) was Glyndebourne Touring Opera, which scored a monster of a hit with Britten's King Kong opera, *The Second Mrs Kong*.

Round the rest of the country opera managers were deserting ships. As a cliché had barely been with Opera North for a year before he was packing his bags, apparently oblivious that he was running the only opera company not moving to a new theatre. From its base in Leeds, Opera North continues to seek out the operas that nobody else dares to play. This season included a creditable attempt to resurrect Chabrier's seductive *Le Roi malgré lui*, a newly-discovered version of Puccini's *La rondine* and Verdi's first opera, *Oberto*, produced by John Tomlinson, laying aside his Wagnerian spear. In addition, the company scored a popular goal with Benedict Mason's football opera, *Playing Away*, when it arrived back at its home ground after the premiere at the Munich Biennale. Opera North remains at the top of the "Adventurousness" league.

Matthew Epstein lasted longer at the head of Welsh National Opera - three years out of his contracted five. Blaming cuts in subsidy, he left no doubt as to the reason for his departure, adding ominously as he went that he hoped "WNO will be strong enough to move into [its new theatre]". The plan in Wales is for a wholly new theatre in the Cardiff Bay development area, financed with a grant from the Millennium Commission of around £48m. The company hopes to have a striking "glass necklace" building that will become a local landmark, like the opera house in Sydney. With a bit of luck it might be suitable for opera, too.

Epstein's talent-spotting eye was doubtless responsible for finding some of WNO's promising young singers during the year, but there have also been interesting productions, like the provocative *Tristan* and a heavenly staging of Berlioz's *Balthazar et Béatrice*, produced by Elijah Moshinsky. I have left this until last, because it was the most outstanding opera performance in Britain this year, near to perfection in every way. An evening like that leaves one full of optimism for a future which sees our opera companies installed in fantastic, state-of-the-art theatres. If any of them fails to get the money, they could always try buying a ticket for the National Lottery.

knife-edge readings of Stravinsky's *Symphony of Psalms* and his own *Cummings ist der Dichter* at the Proms; Louis Andriessen's *De Materie* in the South Bank "Maidtown" festival (not otherwise distinguished); and Berlioz's opera *La vera storia* and the complete sequence of his *Sequentiae*; Chailly's Mahler Seventh with the Concertgebouw, and also some electrifying moments in Tilton Thomas's Mahler series so far.

On the smaller Wigmore scale, I remember with acute pleasure concerts by the steadily maturing Carmina Quartet, the Ysaye and the sumptuous Vogler. In *Lieder*, Nathan Berg's beautiful sound - and intelligence, and flair, and the even younger Matthias Göme's precocious art, and at the Barbican, the unequalled Borodin Quartet in Shostakovich, and peerless young Maxim Vengerov's virtuosos fiddle. Times may be tougher than anybody likes to acknowledge, but we are still spoiled for choice.

London's concertgoers spoiled for choice

Times may be tough and tastes changing, but the city's music remains healthy, says David Murray

The London concert scene was neither noticeably richer or poorer this year than before; which is to say, it has still been pretty rich. Shrunk state support has not diminished the variety of the "big five" orchestras' programmes (I count the BBC Symphony among them, as one must). For every plain, undisguised money-spinner on this year's menu, you could find two or three in the South Bank brochures for, say, 1986 or 1970. Which is only to remark: the notion of a "money-spinning" concert is elusive. A quarter-century back, Beethoven's Third, Fifth and Ninth Symphonies, Tchaikovsky's Fifth and Sixth and two Rachmaninov piano concertos were supposed to be surefire draws, almost as safe as the "1812" Overture with fireworks laid on. None of them now guarantees even a fullish house, not without a renowned conductor. The ageing audience for the traditional middle-brow favourites has become unreliable -

or, perhaps, just experienced enough to turn choosy.

The only sure successes are (a) operas in concert form with famous singers, (b) some performances of not-too-unfamiliar works - a much broader category than it used to be - by very big-name conductors, and (c) just once in a while, some especially ambitious piece (massive, or inordinately long, or fabulously complicated) by a currently trendy composer. Any of these latter is difficult to plan with confidence.

Yet the average numbers for concert evenings remain healthy enough: down a bit while the perceived recession continues, but not more so than the paying audiences for other arts. Despite the fearful internecine competition between them none of the

major London orchestras has collapsed yet, nor abandoned the capital for hand-to-mouth life in the provinces (though they complain that every London concert costs them money). These days, opera commands many more column-inches in the press than non-operatic music; but audiences for the latter, night by night, are in *no* larger by far.

We are admittedly short of great conductors. (So is everybody.) The departures of Giuseppe Sinopoli from the Philharmonia and Franz Welser-Möst from the London Philharmonic have not incurred widespread grief, though they both had their moments. The great Klaus Tennstedt, whose LPO concerts these past years have been regularly announced, sold out and then relegated to a substitute

or cancelled, has finally thrown in the towel. The loss to the London Symphony of Michael Tilson Thomas - at the gain of Colin Davis - we can bear without pain; the Tilson Thomas career needed a move to America at this stage, and will no doubt benefit by it. The Royal Philharmonic continues to rotate any number of conductors, but can still rise beautifully to an occasion.

Are so many orchestras a crazy London luxury? Well: not as long as they survive. For one thing, the notoriously scant rehearsal-time that they often get might not be improved in the least if they were fewer. Nor could we expect them, if they took to the Continent and American rou-

tine of repeating every concert several times in a week, to risk as many bold programmes as they do.

The fashion for mini-"festivals" has somewhat declined. This year the main ones have been Rostropovich's Schmittsqueat at the Barbican, the South Bank's celebration of Luciano Berio, and Tilson Thomas's continuing Mahler cycle with the LPO, but nothing so unexpected and enlightening as the Barbican's recent "Tender is the Night" concertus of Scandinavian music, led alone the exhaustive South Bank forays into Stravinsky, Webern and Roberto Gerhard longer ago.

Though that is perhaps no more than happenchance, it may reflect their promoters' concern that there is no longer a "special" audience for any-

thing too special. Nobody can count upon younger ears eagerly zeroing into music they want to know more about, because they come from too many different places. There is no regular place appointed to classical music in British schools now, unlike those of virtually every European country. To be prompted toward knowing more of it you have to be lucky in your local education, or divine extra possibilities in pop and rock and popular minimalism, or be moved by fashionable meditators like Arvo Pärt and John Tavener.

It is left to the Wigmore Hall to sustain crusty, dependable old music-lovers. Chamber music, and piano and song recitals, sound better there than almost anywhere (except when the artists' ears have been spoiled by playing too

much in grander venues). The Queen Elizabeth Hall, much improved by narrowing the available space for a more intimate audience, remains nevertheless too large for immediate communication - though Richard Goode's inspired, ongoing Beethoven piano-cycle goes a long way toward refuting that charge. The Wigmore remains the place to hear *Dichterliebe*, *Winterreise* or *Die schöne Müllerin*, the Beethoven quartets or Bartók's or the Schubert trios; and its best artists are invariably sold out.

We have little room for complaint. Besides the many Wigmore series (which do need advance booking) and the mini-festivals in the larger halls, there have been plenty of rewarding one-offs this year - Maxwell Davies's lithe new Fifth Symphony, and Boulez's

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 5345
● European Baroque Orchestra: Wieland Kuijken conducts Tellemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8

BERLIN

CONCERTS
Philharmonie Tel: (030) 2548 8132
● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gustafsson plays Schumann at 8 pm; Dec 30, 31 (5.15 pm)
OPERA/BALLET
Deutsche Oper Tel: (030) 3 41 9249
● Der Rosenkavalier: by Strauss. Conductor: J.R. Kout, production by Götz Friedrich at 6 pm; Dec 31 (5.30 pm); Jan 8
● Zar und Zimmermann: by Lortzing. Conducted by Hans Hilsdorf.

produced by Winfried Bauernfeld at 7 pm; Jan 10
Steinoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 1, 4, 7

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in a celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Festival Hall Tel: (071) 928 8800
● Johann Strauss Gals: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johann Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1

GALLERIES

Hayward Tel: (071) 261 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes a section on German Expressionists; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET

Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky. English National Ballet and its

Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 30, 31; Jan 3
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Björnson at 7.30 pm; Jan 4 (2 pm)

THEATRE

National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniel Khamis. A Royal National Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 30, 31 (2.15 pm); Jan 2, 9, 10 (2.15 pm)
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Brown at 7.15 pm; to Jan 3 (Not Sun)

NEW YORK

GALLERIES
Brooklyn Museum

Tel: (718) 838 5000
● Indian Miniature Paintings: 80 jewel-like paintings from the 15th-18th century; to Jan 8 (Not Mon)
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) 708 9480
● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10

OPERA/BALLET

Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 7.30 pm; Dec 31; Jan 5, 7
● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6, 9
● Madame Butterfly: by Puccini at 8 pm; Dec 30; Jan 4, 7, 10
● Peter Grimes: by Britten. English at 8 pm; Dec 31; Jan 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE

Manhattan Theatre Club Tel: (212) 581 1212
● Love! Valour! Compassion! latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by

Joe Mantello. Sun, performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)
Richard Rodgers Theatre Tel: (212) 347 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter who belonged to the circle of impressionists; to Jan 9
● Poussin: 400th anniversary retrospective; to Jan 2
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Peco Ariz at 8.30 pm; to Jan 7
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersburg at 8.30 pm; Dec 30, 31
Opéra Comique Tel: (42 98 12 20
● Magic Flute: by Mozart. Conducted by Claire Gibault, produced by Louis Elie at 7.30 pm; Dec 30, 31
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pärtel/Emmano Florio at

7.30 pm; to Dec 31 (Not Sun)

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● New Year's Eve at the Kennedy Centre: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31

GALLERIES

National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

OPERA/BALLET

Washington Opera Tel: (202) 415 7800
● Semle: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm), 9 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2, 8 (2 pm)

THEATRE

Arena Stage Krueger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Obey Tel: (703) 924 3400
● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31
Shakespeare Tel: (202) 393 2700
● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHz (483m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

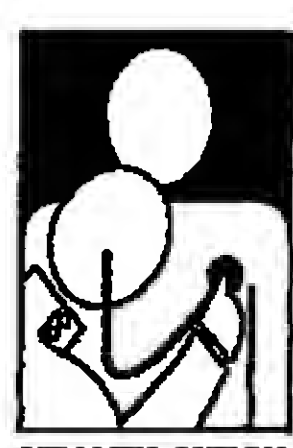
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

MANAGEMENT

Healthy resolutions

Carol Cooper on tangible benefits of giving up what one enjoys



HEALTHY CHECK

Ask a doctor to suggest New Year's resolutions and the answer is depressingly predictable. Giving up what one enjoys and taking up what one does not is hard until there are tangible benefits. So just how soon can one expect returns from giving up smoking, taking up exercise and eating more healthily?

In the case of smoking, it depends on the end-point you choose. At post-mortem, no ex-smoker's lungs ever match the healthy pink hue of the life-long non-smoker's. But lung function usually improves within weeks or months of stopping, while shortness of breath and coughs gradually recede.

The risk of lung cancer falls gradually once the habit is ditched. However, new research from Hope Hospital, Salford, shows that the risk of lung cancer in ex-smokers, even if they gave up years ago, remains higher than in those who never smoked.

On the other hand, some benefits are seen quickly. Personal freshness improves almost immediately, while giving up smoking in early pregnancy reduces the risk of miscarriage, growth retardation and stillbirth.

Taking up exercise is demoralising if stiff muscles result, but there are many later benefits in cardiovascular fitness, mobility, muscle strength and even mood. Exercise may also help prevent cancer of the prostate, breast, or bowel, though data are inconclusive.

Exercise has a well-documented effect on blood cholesterol, increasing the good fraction known as HDL (high-density lipoprotein) and therefore reducing the risk of coronary heart disease.

How much exercise? The usual advice is to take 20 minutes of brisk exercise three times a week, checking first with your doctor if unused to activity or worried about fitness.

Recommendations from the American College of Sports

Medicine and others suggest that less vigorous exercise five times a week is enough. A brisk daily walk of 2km may do the trick.

Exercise usually takes weeks of commitment to make a difference, but improvements continue for months or years. Studies even show that, in some people, coronary artery changes are reversed after a year's regular exercise (but see your doctor first).

November saw the publication of the Coma (Committee on Medical Aspects of Food Policy) report on cardiovascular disease. Its recommendations for healthy eating include eating more fibre and starch carbohydrates - as a nation we still take too much fat and sugar. It also recommends eating oily fish twice a week, replacing the breakfast fry-up with cereal and/or toast, and eating more fruit and vegetables.

Fortunately, no single food is wholly good or bad. Variety and moderation are important. Although they did not feature in the Coma report, anti-oxidants are worth knowing about. They include vitamins C and E, folate and beta-carotene (the precursor of vitamin A), and combat free radicals, which probably cause cell mutations, and the changes of ageing. Collectively, anti-oxidants are found in green leafy vegetables, carrots, whole grains and fruits, and there is some evidence that a diet rich in anti-oxidants does help prevent cancer and heart disease.

How quickly does a healthy diet work? In most people, changes in fat intake result in measurable effects from three weeks. The consequences of taking more anti-oxidants are less clear. Crash diets on their own are not a long-term plan. Rapid weight loss does not usually stay off, and those whose weight fluctuates seem to be at greater risk of heart disease than those with stable weights.

A final recommendation for 1995 is based on evidence that people who enjoy life are healthier and may even have better immunity to infection. So above all have a Happy New Year. The author is a London general practitioner.

Percy Barnevik, president and CEO of ABB Asea Brown Boveri.

Big idea: Managers need to break their organisations out of the narrow confines of national borders if they want to tap the opportunities for free global and regional trade opened in 1994 - such as the Gatt agreement, Nafta, an expanded European Union and progress in the Asia-Pacific region. This requires not only global management but also regional management with full decision-making responsibility for local operations and product supply in, for example, eastern and western Europe combined.

Reading: *The Endangered American Dream* by Edward N Luttwak (published by Simon & Schuster). Luttwak has a lot of insight and is provocative. Having seen the end of the European "welfare state", the collapse of communism and the slowing of the Japanese economic engine, you wonder after reading this book where the world's one remaining superpower really is heading long term. While you may not agree with all of his descriptions and recipes for change - reforms to public education, taxation and industrial policy, and unprecedented trade liberalisation - he gives you reason to think. The author's humour and hands-on style also make it easy to read.

David Simon, group chief executive and deputy chairman, British Petroleum.

Big idea: Listen. Advice in short, punchy statements rarely seems to stick; maybe people need their advice wrapped in academic paper. But a friend sent me a simple card once: "Listen first, think next, act after." To that I would add - look around you at other businesses as you listen to people in yours. A continuous benchmark process, maybe?

Reading: *Changing the Role of Top Management: Beyond Strategy to Purpose* by Christopher A Bartlett and Sumantra Ghoshal (Harvard Business Review, November-December 1994).

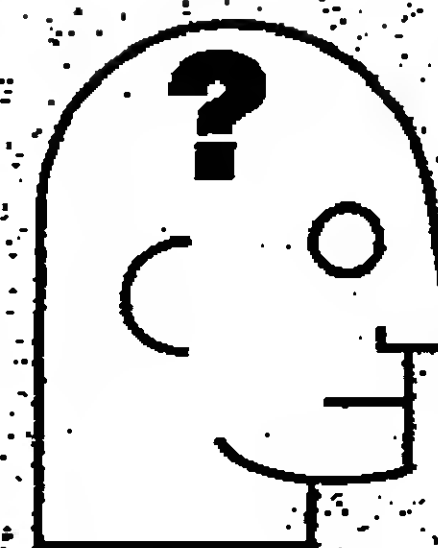
Why? Because it reinforced many conversations with friends in BP about our own path to performance. If vision seems like a little luxury - try purpose. Once you have it, how to make it happen? Try process. Who? You and yours - try people.

Professor Gary Hamel, professor of strategic and international management, London Business School.

Big idea: 1995 should be the year of the "numerator". In the quest for higher productivity, companies

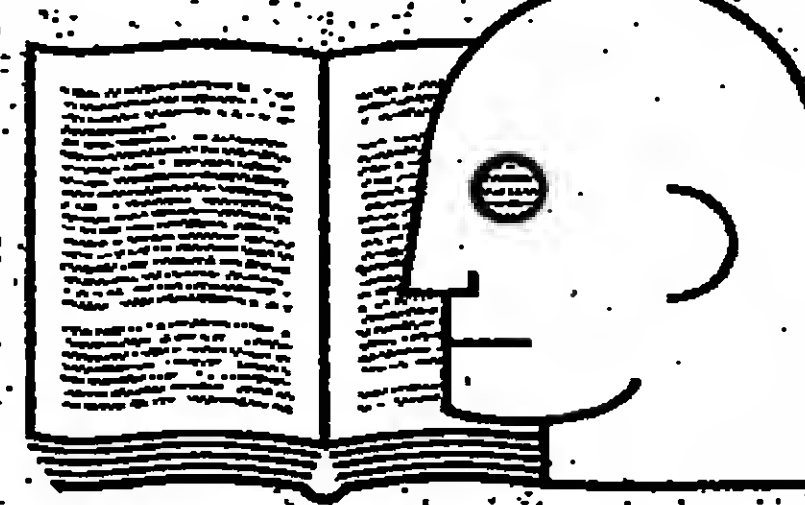
The FT canvassed businessmen, consultants and academics for their thoughts on two questions

Big ideas and big books



If senior managers were looking for one "big" idea to help them run better businesses in 1995, what would you advise?

What was the best business book or article you read in 1994?



sessions about new ways to do things. Let a thousand small flowers of experimentation bloom. Reading: A toss-up between *Thru* by David McCullough and *No Ordinary Time* by Doris Kearns Goodwin about Franklin and Eleanor Roosevelt.

These penetrating works of political biography show national leaders successfully mastering mega-challenges of historical proportions. You see them make tough decisions, invent imaginative new policies and programmes, build support for operating in the public spotlight and lacking the singular authority that most business CEOs have. The change problems in business suddenly seem more manageable.

Joseph M Juran, a pioneer of total quality management and founder of the Juran Institute.

Big idea: Set out to become the quality leader in your industry. Recall that Japan, a country once

notorious for its shoddy goods, became an economic superpower, chiefly because it attained world quality leadership. Reading: No answer.

Clive Williams, head of management consulting, Ernst & Young (UK).

Big idea: Organisations are learning to live in a state of constant transition. In these conditions traditional concepts of the managerial role have ceased to exist. Instead of clinging to outdated practices managers should concentrate on developing new business styles and shifting the organisation's centre of gravity from a fixed line-based structure towards a flexible, prospect-based organisation. In 1995 the challenge is to become a genuine enabler of people and to focus on four imperatives - speed, adaptability, responsiveness and innovation. Reading: *The Scottish Himalayan Expedition* by WH Murray (excerpt

from a training manual). Why? Because it ties in with the challenge in the fusion concept just described. But most of all because I like it.

Rugh Dickinson, managing partner, Booz Allen & Hamilton International (UK).

Big idea: The one "big" idea must be the rebirth of leadership - more specifically, in establishing the vision for the business, in focusing the organisation on the one or two central ideas that will shape vision into reality, and in being ready to take the tough people and resource deployment decisions that go with the territory. And leadership in reorganising, resolving and accepting the give-ups and trade-offs that will inevitably be required. Reading: *Competing for the Future* by Gary Hamel and CK Prahalad - in particular, its last 20-page chapter, "Thinking differently about the organisation".

Why so? Because of the book's eloquence in capturing the need to raise growth once more to the top of the corporate agenda. And, in its final pages, in its articulation of the significance of the complex inter-plays and feedback loops between corporate strategy, business vitality and organisational choice.

Mohamed Al Fayed, chairman, Harrods.

Big idea: Invest in success. If you are fortunate to have a brand that is already admired and enjoyed, support it to the hilt and watch it take your company forward. In the 10 years since acquiring Harrods, we have invested £200m in refurbishment, in opening new departments and in improving our standards of service. Even great national institutions need generous capital investments if they are to be worthy of their customers' support into the next century. As a "big" idea this may not be new but as an Egyptian sage I once knew put it: "New is easy, good is hard."

Reading: Harrods sells huge numbers of business books but I must confess I don't read them. By the time a man can afford £24.95 for a hardback by a former big name, usually looking back, he should be sufficiently sure of himself in business not to need that sort of advice. It is better to buy that classic work of fiction you always meant to read but never got around to or a couple of CDs by a composer you don't know. Let your overworked brain do the thing you never allow it to do: to idle. You will be surprised by how many good ideas you come up with when you are not thinking.

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INTERNATIONAL BIDDING C-301
GENERATORS AND CRANE BRIDGES
CALL FOR BIDS

COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that an international bidding is open for supply, in a single contract, of the following equipments for the Salto Caxias Powerplant:

- Four hydro-generators, vertical shaft type rated 345 MVA, 0.3 power factor, 60 Hz, 90 r.p.m., synchronous speed, complete with all associated equipment.
- Two crane bridges for the power house, with hoisting capacity dimensioned to lift the complete assembled rotor of the generator.

The scope of the supply includes design, manufacturing, shipping to job site, pre-assembly of the generators in the erection bay, and supervision for mounting and commissioning.

This minimum-price type international bidding is open for individual or consortium-grouped companies.

The amount of costs related to this supply will be supported by COPEL's own resources. COPEL is applying to the Inter-American Development Bank - IDB - for funding to finance the equipments above, if approved.

The Bid Documents will be available to bidders from DECEMBER 26, 1994 to FEBRUARY 15, 1995, against payment in Brazilian currency of R\$ 300,00 (three hundred reais), at the following address:

Superintendência de Obras de Engenharia
Rua Voluntários da Pátria, 233 - sala 504
80020-080 - Curitiba - PR - BRAZIL
Telefone (051) 323-1212 - Ramal 541
Telex (25-41) 331-3365

or
Escritório COPEL/São Paulo
Avenida Gessia, 1800 - 14º andar - sala 1408
01418-300 - São Paulo - SP - BRAZIL
Telefone (011) 289-1401

At the time of Bid Documents purchase, all companies shall present a letter containing their complete mailing address.

The receipt of pre-qualification and Bid Documents is scheduled for April 4, 1995 at 3:00 PM at COPEL's head office conference room, at Rua Calósteo Delgado, 800, 10th floor, in Curitiba.

The Bidding will be held by Law no 8.666 dated June 21, 1993, with alterations approved by Law no 8.883, dated June 8, 1994 and by other conditions stated herein and in the Contract Documents.

eng. JOÃO CARLOS CASCAES
Director Presidente

COMPANHIA PARANAENSE DE ENERGIA

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY
4% FIRST MORTGAGE DEBENTURES
STOCK

In preparation for the payment of the half-yearly interest due February 1, 1995 on the above stock, the tender books will be closed at 3:30 pm, on January 13, 1995 and will be re-opened on January 21, 1995.

D.R. Kent
Assistant Secretary

62-65 Trafalgar Square,
London, WC2N 5DT
December 30, 1994

IRISH PERMANENT BUILDING SOCIETY
25th ANNIVERSARY

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 5% Bonds 2004 is payable on 15th January 1995. The record date for this dividend is defined in article 4 of the Terms and Conditions of the Bonds to be 1st January 1995. The Bonds will go ex-dividend on 31st January 1995. Payments will be effected through Bank of Ireland, Registration Department, 4th Floor, Harco House, Selskirk, Dublin 4, who are the Registrars for the issue.

Cathal McCarthy
Secretary

PERSONAL

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FINANCIAL TIMES

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Friday December 30 1994

Regulating derivatives

Even by the standards of today's unstable markets, 1994 will go down as a year of unusual financial turbulence. Such has been the political fall-out in the US that a powerful regulatory response is inescapable, carrying with it the risk of over-reaction. Nowhere is this more true than with derivative financial instruments such as swaps, forwards and options, which have prompted feverish anxiety on Capitol Hill.

A sense of perspective is badly needed. At the risk of stating the obvious, derivative instruments have not, despite the fiendish qualities attributed to them, seriously threatened the stability of any banking system in the developed world this year. The biggest loss incurred in the markets - gains by Orange County in California - stemmed less from dealing in derivatives than from the use of sale and repurchase agreements in the bond markets. This was one of several examples of leveraged dealing where fund managers borrowed to increase returns, only to find that leverage can magnify losses as well as profits.

With Procter & Gamble and other end-users of derivatives, losses have highlighted potential conflicts of interest in the role of the banks. But it is not the task of central bank regulators to protect large industrial companies from their bankers or to monitor corporate governance arrangements. So what should their priorities be?

The precise extent of the systemic threat is hotly debated. What is beyond dispute is that while derivatives have great potential to increase capital market efficiency, the gap between individual firms' knowledge of their trading and risk management practices, and the information available to outsiders, has sharply increased. Risks on and off the balance sheet can change hourly in a business that is increasingly conducted in over-the-counter (OTC) markets rather than organised exchanges.

Lack of transparency

The resulting lack of transparency is such that risk may be mispriced, while uncertainty over a bank's exposures could lead to a run on deposits. The threat of contagion within the financial system is highly concentrated in the derivative markets in the US 10 banks account for more than 90 per cent of credit exposures. Most important, banking supervision simply cannot keep abreast of the quick-fire changes in the risks that commercial banks now run in the normal course of business.

This is a powerful argument for moving to a two-tier banking system in which the safety net of deposit insurance is denied to the commercial banks' derivatives trading activity. It also highlights the importance of a rapid move towards real-time gross settlement to reduce the risk that the failure of a counterparty will disturb the whole payments system.

Market fluctuations

The Bank for International Settlements (BIS) is amending its capital regime, currently directed exclusively at credit risk, to cope with the impact of market fluctuations. Yet capital is probably a less effective defence against trouble than a sound approach to risk management. On this score a recent BIS discussion paper has urged public disclosure of banks' internal risk management systems, a proposal promptly taken up by J.P. Morgan.

A more radical suggestion, made by David Folkerts-Landau and Alfred Steinhilber in a recent American Express Bank prize essay, is that the regulators should seek to divert business away from OTC markets into a formal exchange or clearing house structure. This would have the advantage of greater transparency and liquidity, together with the discipline of collateral requirements that are tougher than a conventional capital adequacy regime.

Critics of this approach argue that it ignores the efficiency of private-sector decisions in this area and that a majority of business is done in OTC markets for good reason: customised contracts provide flexibility. The big banks also fear the loss of the competitive advantage that they derive from high credit ratings. Yet the Amer authors claim that a majority of OTC contracts are little different from standardised exchange traded products. Moreover, the current capital adequacy regime contains a bias in favour of OTC dealing. The private sector also faces high costs in setting up a clearing house, where the returns on the investment are partly social and public.

In the present fiscal climate few governments will look favourably on subsidies for clearing arrangements. Yet they have good reason to look at the case for a more level playing field between OTC and exchange-traded derivatives, not least because financial stability is an important public good. That is why increasing the transparency of the derivatives markets should be a high priority in any reform of the regulatory framework.

Corruption has no frontiers

For anyone who still believed that corruption was primarily a problem of the developing world, and not the developed, the exposés of the past year should have provided a belated awakening. Scandals ranging from petty "sleaze" to substantial bribery have broken out across the globe, from Japan in the east, through Britain, France, Italy and the former communist states in Europe, to the US, Brazil and Mexico in the west. It is clear that bribery and corruption know no frontiers.

The rash of cases raises three questions: is the problem getting worse, in spite of the trend towards market economies, open trade, and deregulation? Is it a problem that needs to be controlled with new rules, or will such measures merely create new opportunities for corruption? And if more controls are needed, what effective steps can be taken?

It is tempting to be cynical about the issue. Corruption has always existed, wherever power exists. On occasion it may arguably be beneficial: where a modest bribe can circumvent excessive and onerous regulations, it may oil the wheels of economic activity. Or a bribe may simply redistribute the profit of a transaction from a government to individuals: then the state is the only loser.

Where governments are excessive regulators, where they have imposed penal tariffs on trade, or where they have fixed unrealistic exchange rates, they deserve to be punished by such subversion. The real solution is to reduce the bureaucracy and scrap the bad rules, not to encourage corruption by writing more.

Economic distortions

The danger of the spread of bribes is that in the first place, they distort rational economic decision making; and secondly, that they undermine the legitimacy of the administrative system. Indeed, of the entire political system which allows them to take place. Economic distortions may be difficult to identify. But loss of

political legitimacy has been evident in industrial countries suffering from recent scandals. The scale of the problem does not seem to have grown. Rather, the trend towards deregulation, privatisation and more open government has exposed its existence. That would seem to be the case in Italy, France and Japan. Moreover, the end of the cold war has left electorates that were once prepared to tolerate corrupt practices in the interests of stability less inclined to do so.

Political favours

The common cause behind many of the recent cases has been the need for ever-increasing campaign funds for political parties, rather than individual venality. The soaring costs of campaigning for political office in a televised democracy have put ever greater financial pressures on the participants. In the US, as in Japan, the purchase of political favours with campaign contributions has long been almost an accepted part of the system.

What is to be done? Clearly it is essential that political contributions should be subject to maximum transparency. There is a case for strict limits to be set on election spending. Cost-free party political broadcasts, on the British model, rather than the commercial sale of television advertising spots, could be another way of controlling expenses.

Another lesson is that both bureaucrats, and politicians, must earn incomes in keeping with the responsibility of their jobs. If either are clearly underpaid, it will provide a temptation to corruption, which would rapidly outweigh the savings on their salaries. Above all, simple and transparent regulations are the best defence against corruption. The less unnecessary red tape a government imposes on business, and the more open and enforceable the rules are, the less incentive or opportunity its employees will have to extract private profit from their position.

Mr Tony Blair has caused satisfaction and for consternation. Labour has an unprecedented lead in opinion polls. His own ratings are higher than any achieved by the leader of the opposition in recent memory.

But his party is unprepared: expert in the skills of opposition, so far it has offered only a shallow programme for government. Mr Blair's firmest policy commitment - to radical constitutional reform - is fraught with political dangers.

Let's start, though, with the satisfaction. It would be churlish to deny Mr Blair his plaudits. He has led Labour for less than six months. In that short time he has transformed the mood. He has begun to reposition the party in the public's consciousness as value-based rather than class-based. He has shown an appreciation of strategy as well as tactics. He is a politician who means what he says.

His admirers are not confined to friends among the Wellington intelligentsia. Every opinion poll since his election in July has underlined the appeal of this 41-year-old former public schoolboy to the aspirant working classes who deserted Labour for Mrs Margaret Thatcher in the 1980s. And the middle classes of southern England now have a leader of the opposition whom they can call One of Us. The electoral "fear factor" which has haunted Labour since 1979 is dissipating.

Mr Blair has performed well in the theatre of politics. During his two-weekly doses with Mr John Major in the House of Commons he has added a touch of gravitas to the boyish good looks. He has missed one or two opportunities, but he has not made any serious mistakes. He has portrayed the Conservatives as terminally divided and out of touch. In so far as the government has needed assistance in persuading voters of the veracity of the charge, Mr Blair has provided it.

It is not simply style and image, although Mr Blair is as conscious as any politician of his public relations. He has pointed Labour in a different direction. His embrace of the "dynamic market economy" was unremarkable to those long acquainted with the realities of global competition. But within his own party it marked a decisive step forward, even from the "modernist" position adopted at the 1992 general election.

When Mr Kenneth Clarke, the chancellor, raised interest rates in September, Mr Blair eschewed the reflex, unthinking condemnation. Instead, he offered a more subtle message. Mr Clarke was right in his own terms to pre-empt an upsurge in inflation. But what an indictment of Tory policies, said Mr Blair, that the economy risked overheating with 2.5m people unemployed.

Mr Blair's attitude towards the welfare state has revealed a similar shift. He did not endorse without qualification the report of the independent Social Justice Commission, established by his predecessor, the late Mr John Smith. But he embraced its central theme: that universal provision of benefits cannot be open-ended, that getting people back into work takes priority over handing out more in benefits. There have been other changes. Labour's policy towards Northern Ireland has caught up with the principle of majority consent for any political settlement. Even before the row over his choice of a grant-maintained school for his own son, Mr Blair had begun to detach Labour from the politically correct agenda of the teaching unions.

But the political drama came with

Now for the hard part

Tony Blair, UK opposition leader, has done well, but has not yet proved Labour is ready to govern, says Philip Stephens



Tony Blair: his firmest policy commitment - to radical constitutional reform - is fraught with political dangers

Mr Blair's announcement at Labour's autumn conference that the party must drop its most sacred shibboleth: Clause IV of its constitution, enshrining a commitment to common ownership of the means of production and distribution.

The pledge has been irrelevant almost from the day it was penned by Sidney Webb in 1917. No Labour leader has ever suggested the state should run Britain's corner shops. But Clause IV has been the stan-

Blair's message is that Labour must rediscover its ambitions, not fight about the means of delivering them

dard behind which the party's ideologies have marched for generations. Its replacement by a new statement of values should provide a potent symbol that Labour is serious about change.

Mr Blair is convinced he will win the argument, in spite of campaigns by some grassroots activists to preserve Clause IV. The final decision will be taken by a special conference in April. One or two of the big trade unions, notably the TGWU general union, will cling to the past. So too will the cadres of constituency party purists. But most individual members and a majority of the unions will back the leader.

The glue holding together the strands in Mr Blair's strategy is a return to first principles. His message is Labour must rediscover its ambitions, not fight about the means of delivering them. Fairness is more important than ownership, equality of opportunity more relevant than redistribution of wealth. Values should replace slogans.

To the derision of the traditionalist left, Mr Blair calls this New Labour. In fact what he is offering is Old Labour - a spruced-up version of the aspirational politics that guided the party in the immediate postwar period. The voters backed Labour then because it offered a ladder of opportunity. The ideological introspection of the party's activists took hold later.

But now for the consternation. Acknowledging that Mr Blair has done well is not the same as describing Labour as a government-in-waiting. Even after 15 years in the wilderness, the forces of inertia run deep. So does the reflex suspicion of party activists that the leadership is set on betrayal. At Westminster - in the shadow cabinet as well as on the backbenches - there are many who want Mr Blair simply to wait for the Conservatives to deliver him victory.

But there is no absolute guarantee that the Tories will not rediscover their senses, that the economic upturn will not translate into a political recovery. In any event, winning an election is not the same as being ready to govern. Mr Blair seems to understand that. So, in his

own way, does Mr John Prescott, the traditionalist deputy leader of the Labour party, whose support so far for the process of modernisation has been vital. Many of their colleagues do not.

The quality of the shadow cabinet is uneven. There is a handful of thinkers. They are counterbalanced by a group of indifferent, often lazy politicians who see their role as denouncing the government. Then there is a third group which tends

Voters may wonder why devolution should take precedence over better health and education services

to drift with the tide, offering grudging assent to the leadership but little conviction and less action.

Mr Blair has provided policy signposts: the party is no longer intent on increasing the tax burden, it is in favour of public/private sector partnerships, it is no longer hostile to allowing schools more independence. But signposts do not add up to a persuasive strategy. What is missing is not simply detail - at times Labour has been overly obsessed with the minutiae - but a sense that it has formulated policies across the range of issues which fit together as a coherent programme. There are contradictions also. Its

economic strategy promises to eschew crude demand management and to maintain a target for low inflation. But it offers also a target for growth. It does not explain which economic levers it will use to meet the growth target, or how it will respond to the inevitable conflicts between the two objectives.

It is the same with taxation. The increases imposed by the Conservatives are roundly condemned, not just because they represent broken promises but because of the additional burden on ordinary families. Yet any pre-election reversal of the increases has been condemned in advance as no more than a bribe. The voters will want to know if Mr Blair thinks the tax burden is too high, is about right or is too low. They might also ask whether his party agrees with its leader.

Then there is Europe. Few doubt that Mr Blair, who wants to take his party into the social democratic mainstream of its Continental counterparts, is serious about a commitment to keeping Britain in the European Union's first division. But a redex embrace for the social chapter and a pledged commitment to joining a single currency do not add up to a European policy.

There is an exception to the general vagueness. In one policy area - constitutional reform - Mr Blair has given an irrevocable pledge to legislate immediately after the election for a parliament for Scotland and an assembly for Wales. The judgment of some allies in the senior ranks of the party who want much greater clarity elsewhere is that here the new leader has made a serious mistake. The Conservatives will make preservation of the union a central issue in the election campaign. English voters may see devolution in Scotland as the first step towards independence. That could cost Labour precious votes in Tory-held marginals in the Midlands and the north-west.

Labour won the election, its first administration since 1979 could become bogged down from the outset in a bitter constitutional battle. Dozens of his own MPs might rebel. Those with longer memories than Mr Blair need no reminding that it was a battle over devolution that crippled the last Labour government.

Mr Blair defends the commitment, arguing that greater democracy is essential to restore the electorate's faith in Britain's institutions and in its political leaders. The voters may be forgiven for wondering why devolution should take precedence over better health and education services, or action to shorten the dole queues.

More generally, Mr Blair insists he is pacing himself ahead of an election that may not take place before mid-1997. His first six months were occupied with setting out the guiding principles for policy. The next few months will be taken up with winning the battle over Clause IV. Then will be the time to start formulating the "flagship policies" on which Labour will base its programme for government.

Mr Blair is fond of reminding those who doubt his determination that, since becoming leader, he has not given in on a single policy issue. He promises a simple statement of values to replace Clause IV which will cement the trust of the electorate in new Labour. He cannot afford to make compromises with his party's traditionalists. Nor can he afford to resist much longer the pressure to produce clear and practical policies to sit alongside the principles.

Every picture tells a story

Paul Taylor on the CD-Rom revolution in computing

The CD-Rom disc is beginning to transform the home personal computer market in much the way that its cousin, the digital compact disc, has come to dominate the music business.

Their vast storage capacity - a CD-Rom disc can store about 650 megabytes of data, equivalent to 450 ordinary 3 1/2" floppy discs - makes them ideally suited for multimedia, the combination of digital text, video, still and moving images and sound. And a CD-Rom disc costs just pence to make.

Multimedia machines with a CD-Rom drive, high-quality sound card, fast graphics and powerful microprocessors are leading the assault on the consumer market. Tumbling hardware prices have put multimedia PCs within the reach of most home PC buyers. As a result PCs equipped for multimedia have been among the hottest selling items this Christmas.

According to IDC, the market research firm, about one in five PCs systems in Europe includes a CD-Rom drive and growth is accelerating. "The CD-Rom market in Europe started exploding in the second half of 1993," says IDC, which estimates 4.5m CD-Rom drives will have been sold in Europe this year, up from 1.6m in 1993.

The surge in CD-Rom drive sales has coincided with an explosion in the range of reference, entertainment and games titles available in CD-Rom format, and a dramatic improvement in software quality.

In the early days of CD-Rom much of the software was criticised for being slow and unattractive. But innovations, such as the introduction of faster double-spin speed drives and higher-quality sound cards, have encouraged publishers, including Microsoft and Dorling Kindersley, to be more imaginative.

Today there are thousands of discs available with prices ranging from less than £10 to several hundreds of pounds - or even thousands. But most software aimed at

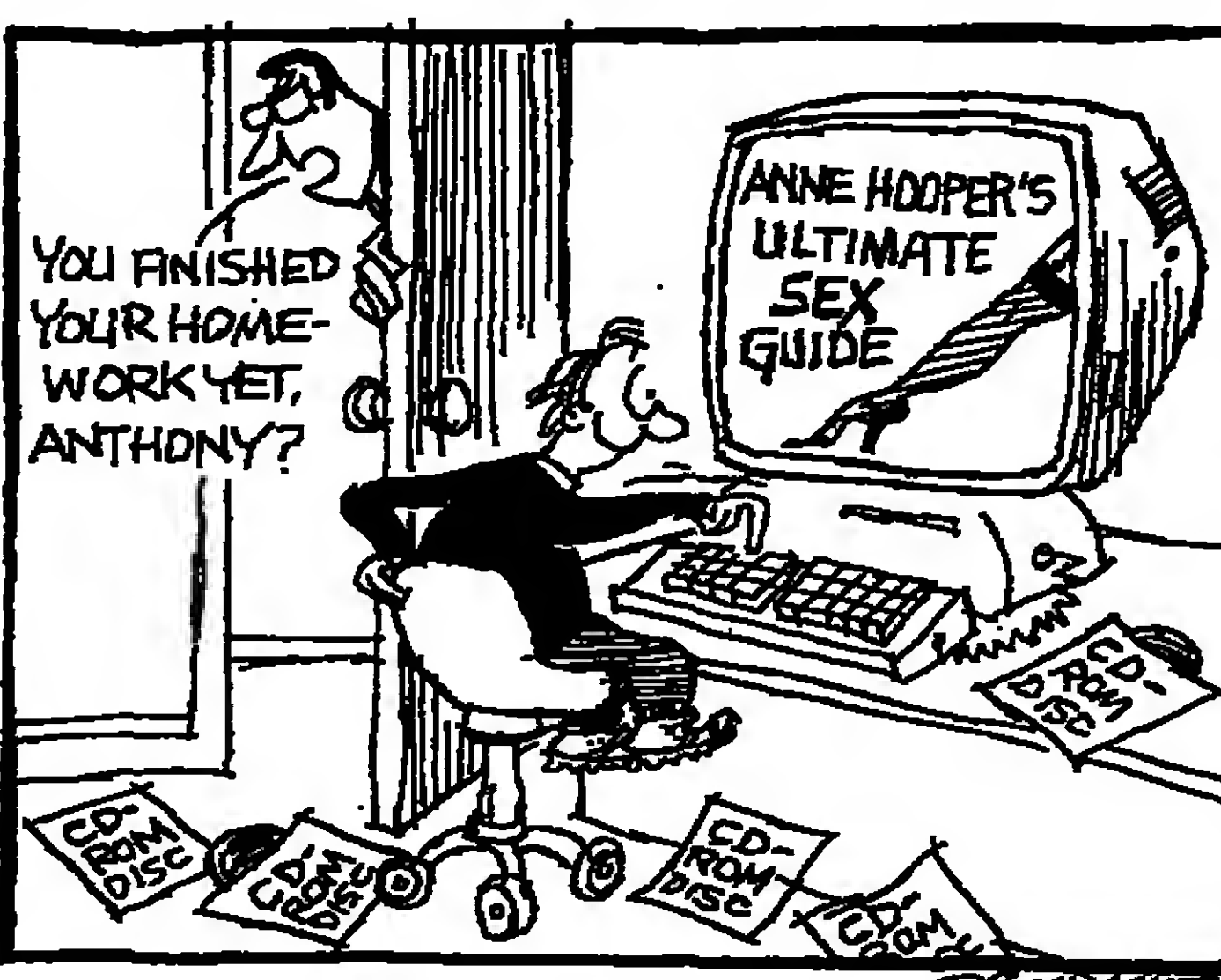
the home consumer market is priced between £25 and £70 - usually a modest premium over print-based equivalents.

The encyclopedia is probably the archetypal CD-Rom product - entertaining, informative and helpful with homework. Indeed Microsoft's *Encarta* encyclopedia is the benchmark for other CD-Roms. It includes the full text of a traditional 29-volume print encyclopedia, together with sound, photographs and graphics, interactive videos, animations, maps and an illustrated time line. It is as quick to use as a print encyclopedia and easier to jump from one subject to another.

The latest version, *Encarta 95*, costs about £25 and was released last month. It has 26,000 articles and has been updated to include information on some of the latest news events - including the ceasefire in Northern Ireland. Despite its US origins, the articles easily meet the homework demands placed on it by most junior and secondary school children in Europe.

Other encyclopedias worth considering include the *New Grolier Encyclopedia* and the new *Hutchinson Encyclopedia 95*, the only fully British multimedia encyclopedia, containing some 34,000 articles, though in less depth and with fewer videos and sound clips than *Encarta*. *Red Shift* provides "a planetarium on your desktop" for £70. This award-winning space simulation includes over 700 photographs and takes the user on a voyage of discovery across the solar system.

For ease of use and superb presentation, five new titles from Dorling Kindersley, the innovative British book publisher, are hard to beat. *Eyewitness Encyclopedia of Science* is a top-rated and brilliantly illustrated interactive disc containing 1,700 entries and aimed at children aged 10 and older. Like *Encarta*, this CD-Rom is good for answering basic homework ques-



tions, or simply browsing. Dorling Kindersley's other CD-Roms are also aimed at a younger audience, and include *The Way Things Work* and *Incredible Cross-Sections* which provides a fascinating multimedia tour of an 18th century man-of-war ship. *The Ultimate Human Body* features three-dimensional images, detailed micro-photography, animation and sounds and includes an interactive journey through the human body to discover what every part is called, where it is situated, what it looks like and how it functions.

For a younger audience, *My First Incredible Amazing Dictionary* targets children aged four to seven, including those who cannot yet read or have never used a computer. This CD-Rom presents 1,000 words in context so children can see and hear how they are used in speech and writing.

For older wordsmiths *The Oxford English Dictionary* is impressive on CD-Rom, with over 2.4m illustrative

quotations, but it is costly at \$495. For those with smaller wallets, the *Concise Oxford English Dictionary* is available for £50.

Meanwhile Microsoft's *Bookshelf 1994* includes the latest editions of seven - mostly US - reference works including word dictionary, dictionary of quotations, encyclopedia and atlas.

Microsoft's rapidly expanding library of home multimedia titles also includes *Ancient Lands* and *Microsoft Dinosaurs*, which provides a tour of prehistoric life, as does *Prehistoria*, originated by Software Toolworks, which was acquired this year by the Pearson Group, owner of the Financial Times, and renamed Mindscape.

Other "educational" CD-Roms for children include *Interactive Storytime*, also originated by Software Toolworks - three discs of interactive stories for children. In the US the hottest children's CD-Rom this Christmas is probably Disney's recently released *Lion King*, an

interactive animated story-book based on the children's film. And Microsoft's *Cinemania 95* is acknowledged as the definitive multimedia film guide.

There is a wide range of CD-Rom titles covering the art world, including *Cameron's Fine Art*, 450 works from leading artists and photographers; *Renaissance Masters*, a two-disc series with 1,500 images on each disc; and *Exploring Modern Art*, a tour of the Tate Gallery conducted by the senior curator.

Serious music buffs may be interested in CD-Roms covering the lives and works of great composers, which try to make the most of the CD-Rom's multimedia capabilities by combining music with analysis of the works and the composer's life. Among these are *Beethoven's 5th*, *Mozart: The Dissonant Quartet* and *Stravinsky: The Rite of Spring*.

For pop fans, *Jump* provides an insight into David Bowie's weird world while Peter Gabriel has produced an extraordinary CD-Rom featuring his music called *Xplore 1*. Anyone wanting to improve their chess game should try *Chessmaster 4000*, one of several sophisticated interactive chess games available on CD-Rom - a £40 package including superb graphics but which, like even the best CD-Rom package, complements a real board and human opponent, rather than substitutes for either.



The power of communications: Mr al-Massaari, dressed in a white caftan, stands over a row of modems.

The fax war

Roula Khalaf and Mark Nicholson on a high-tech challenge in Saudi Arabia

In a non-descript three-bedroom apartment in north-west London a traditional Saudi meat stew simmers on the kitchen stove, as Mr Mohammed al-Massaari, dressed in a white caftan, stands over a row of modems. This is the headquarters in exile of the Committee for the Defence of Legitimate Rights in Saudi Arabia, an organisation that every Tuesday spends 10 hours sending 800 faxes to Saudi Arabia and 200 to other embassies and press centres. Mr al-Massaari, a physics professor turned Saudi dissident, and his partner, Mr Saad al-Faguih, a surgeon, were jailed for launching the CDLR - which advocates greater government accountability and stronger adherence to Islamic values - in Saudi Arabia in 1993. On their release, they fled to London, applied for political asylum and went shopping for fax machines, modems, computers and a copier. For the past eight months, they have bombarded Saudi government offices, businesses and universities with faxes. "We've sent faxes to the king himself and his defence ministers," says Mr al-Faguih. "We have their private numbers," he adds, with the glint of the computer hacker who has beaten the system.

The faxes they send are libellous inventories of alleged incompetencies and corruption, spiced with accusations of sexual peccadilloes. Typical are remarks such as "prince X is fond of flogging people in his office. Scarily he often uses shoes on his victims" or "X leads a group of sexual deviants who have terrorised the people of the province". Last week's fax carried a warning that a leading hotel owned by the Treasury department had installed hidden cameras to record the guests' "very intimate" moments with the intention of blackmail.

The CDLR's own fax machines, meanwhile, receive a barrage of grievances, sometimes factual, sometimes fictional, from supporters in the kingdom. Drawing such complaints has required ingenuity - in the form of telephone lines that allow Saudis to call without being traced. "We had two limitations," says Mr al-Faguih. "US telecommunications operators, such as MCI, AT&T and Sprint, do not have facilities to connect Saudi Arabia with the rest

The faxes are libellous inventories of alleged Saudi corruption

of the world, and people do not have calling cards in Saudi Arabia." The CDLR solution has been a toll-free number, which connects callers, via MCI, AT&T or Sprint, to a number in the US. That Washington DC call is then forwarded to the CDLR in London by a local telecoms carrier. The CDLR has also purchased two calling-card numbers, issued by AT&T and MCI, that can be used only to dial its London offices, and disseminated the numbers throughout the kingdom. The itemised bills for all these calls are seen only by the CDLR.

For the sophisticated user, the CDLR promises a newsletter will soon be available via E-mail. Mr al-Faguih says he is also negotiating with several US companies for a contract to fax the newsletter on the CDLR's behalf. He says he has received an offer from a US company to fax the newsletter which would reduce by half his monthly costs of \$30,000 (financed by Islamist supporters within the kingdom).

Even without such advances, the CDLR faxes have presented a growing nuisance to a sensitive government. Saudi rulers, when they comment at all on the CDLR, adopt an air of haughty dismissiveness. "They are nutcases," a prince said. "These faxes don't represent any increase in the kingdom for their point of view." Nevertheless, members of the ruling family find them irksome. The government is used to

controlling information sources. A team of censors pens sals daily in an office in the Saudi information ministry ripping offending pages out of foreign newspapers, blackening news pictures, or striking out with a giant black X any advert for alcohol. The royal family has also tried to prevent uncontrolled satellite TV broadcasts in the kingdom.

In a land where media sources are purged of anything deemed un-Islamic, anti-Saudi, critical of the rulers or even just saucy, the faxes make popular and gripping reading.

And the Saudi government is disconcerted by their political effect, although officials claim that the problem is not that the faxes are galvanising an anti-government mobilisation, but that they are damaging people's view of the kingdom.

The faxes are also demonstrating the paucity of Saudi Arabia's information policies. Many of the faxes are sent to western journalists, who, starved of other information about Saudi politics, have given their allegations play. For such journalists, there is no one in the kingdom who can be contacted for an official rebuttal, or to put another side. Some of the princes admit that the government has found no satisfactory way of responding to the publicity that the CDLR has created.

Last month, the Saudi government offered visas to about a dozen western reporters in an attempt to redress this problem. But this new openness did not seem to have percolated far into the Saudi bureaucracy. After a fruitless 45-minute interview, one FT correspondent's Saudi minder helpfully explained, about the Saudi official in question: "he doesn't really like talking to journalists, so he was not going to tell you anything".

Another Saudi response has been to urge the British government to get rid of the troublesome Mr al-Massaari and his London fax HQ - a topic that was high on the agenda of prime minister John Major's recent talks in the kingdom. Mr al-Massaari's request for political asylum in Britain was refused last month, though he is now appealing. But being forced to leave the UK is unlikely to force him to abandon his modems.

The CDLR may long for the pure Islamic state of the 8th century, but it has embraced the telecommunications revolution of the 20th century. Mr al-Faguih says: "Khameini's was a cassette revolution, ours will be a fax revolution."

Four years ago, the Treuhand, Germany's privatisation agency, vowed to complete its operations by the end of 1994. Mrs Birgit Breuel, the agency's combative head, is proud that the organisation, the world's largest holding company, will keep its promise and cease operations next September 31. "We stuck to our mandate. There was no other alternative," she says.

Mrs Breuel, who joined the Treuhand in October 1990, succeeded its first head, Mr Detlev Rohwedder, in April 1991 after he was murdered by unknown assassins. The agency had been set up in March 1990 to privatise the state-run economy of former communist east Germany.

Treuhand's small staff of west German industrial managers had no idea of the scale of the task or how much it would cost. The agency had no reliable accounts or balance sheets for the Kombinate, the giant state-owned enterprises that it started dismantling in late 1990.

Once figures were available, the magnitude of the problems became apparent. The Treuhand had 13,781 industrial enterprises on its books, plus 10,662 small shops and other retail businesses. It employed about 4m people, 3.5m of them industrial workers.

In the past 56 months, the Treuhand has quickly privatised the retail outlets. Of the industrial enterprises, 3,527 have been closed. Almost all the rest have been sold, 2,879 to management buy-outs, 855 to foreign investors and the rest to west German investors.

In all, the Treuhand has attracted investment commitments of about DM206bn (\$85bn) and earned DM4.9bn from sales. The remaining 10 companies will be placed under so-called Management EGs run by west German managers with the aim of preparing them for privatisation.

Impressive though this record is, the Treuhand has been the subject of acute criticism in both parts of Germany. One cause is its cost. Privatisation receipts from east German industry were once optimistically expected to yield as much as DM600bn for the finance ministry. Instead, the Treuhand will have run up debts of DM270bn, of which DM100bn has been spent on restructuring companies and subsidising jobs.

When the Treuhand decided to save some sections of the industrial/manufacturing base, it did so at enormous expense

Treuhand: the big sell



Birgit Breuel, Treuhand president.

Sales by Treuhand to foreign investors (up to September 1994)

	Number of enterprises	Investment commitments (DM bn)	Number of jobs guaranteed	Proceeds (DM bn)
Denmark	20	545	3,196	536
France	39	1,454	25,422	1,447
UK	124	2,825	18,866	1,183
Italy	38	702	4,837	326
Canada	10	1,646	16,845	35
USA	12	2,000	2,206	278
Netherlands	95	1,101	10,577	394
Sweden	100	1,010	10,333	289
Switzerland	139	1,191	19,474	456
US	77	2,865	13,273	1,078
Others	145	2,935	21,193	380
Total	655	22,988	198,597	6,214

Source: Treuhand

The end of the line

As the Treuhand winds up, Judy Dempsey looks at its record

to the taxpayer.

In the east German shipbuilding sector, for instance, 7,000 of the original 40,000 jobs have been saved at a cost of more than DM700,000 for each job. The subsidies for saving jobs at Eko Stahl, east Germany's loss-making steel company, will cost even more.

"These industries will become competitive," says Mrs Breuel. Treuhand officials admit, however, they were trapped between privatising quickly and saving jobs through what amounted to transitional subsidies.

The agency's record in preserving jobs has also been criticised. Six out of 10 employees at Treuhand enterprises lost their jobs. The Treuhand has secured job guarantees for just 1.5m workers, only 700,000 in the manufacturing sector.

IG Metall, the steel and engineering trade union, and the governments of the five east German states believe the way the Treuhand closed large sections of industry hindered the growth of the Mittelstand, small and medium-sized enterprises. "The Treuhand's policies virtually destroyed the region's industrial base," says Mr Karl Rohring, an official of the union's Berlin/Brandenburg branch. "The Mittelstand depends on an industrial base. East Germany cannot live off services alone. It will never become a self-sustaining economy without industry."

IG Metall also attacks what it describes as the absence of an economic strategy to help the newly privatised companies survive. "That was up to the politicians," says Mrs Breuel. "That had nothing to do with our mandate."

And Mr Otto Schily, head of the parliamentary investigation committee set up to scrutinise the Treuhand, has accused the agency of making decisions behind closed doors, in particular of selling companies too cheaply to managers who wanted only to pick up the subsidies on the property.

"We were open at all times," says Mrs Breuel, adding that negotiations are never carried out in the public domain. There has also been criticism of the agency's methods from foreign investors. "We were often passed from one Treuhand official to the other. We never knew the rules of the game," a UK investor complains.

But Mrs Breuel rebuts any notion that the Treuhand tried to keep foreign investors out. "About 10 per cent of our portfolio has been sold to foreigners," she says. "All along, we applied the same philosophy to each sale. We wanted to buy management, buy know-how, buy expertise, buy technology - even more importantly, buy marketing skills."

As the Treuhand prepares to end its operations, however, its pace and methods continue to evoke as much admiration as criticism. "I have spoken to people who have done mergers and acquisitions, and they said you needed about 10 years for this kind of work. They are truly surprised at what the Treuhand achieved," says Mr Horst Siebert, head of the Insti-

tute for World Economy at Kiel University.

The agency has had to cope, for example, with obstruction from east German factory managers, many of them former communists opposed to privatisation. They feared for their jobs if the true financial condition of their enterprises were discovered.

"I remember when I was carrying out an inventory of the enterprise, one of the department heads, a former member of the Stasi [east Germany's secret police] simply refused to hand over some records," says one US consultant. "In the end, he locked me into a small room and allowed me to look at the books. I was not allowed to take them away."

More fundamentally, there was no precedent for privatising an entire economy, particularly when monetary union between the two Germanys had made the east's exports uncompetitive in its core markets of eastern Europe.

Mrs Breuel recalls the early days as "truly extraordinary times. After starting from virtually nothing, we built up a network of experts and a financial picture of the enterprises."

And despite the criticisms, few economists believe there was an alternative to the way the Treuhand operated. "I looked at how some of the east European countries were introducing the voucher system in which ordinary people could trade in their coupons for shares," says Mr Siebert. "But in the case of east Ger-

many, this system would not have had the effect of bringing in capital very quickly, as well as bringing in new management. These two aspects were the most promising ingredients of the Treuhand's methods."

The benefits of the Treuhand approach can now be seen in the investment record: some DM140bn of private investment has been used to modernise the capital stock of east Germany's enterprises and to improve the quality of distribution. For the first time last year, investment per capita in the east exceeded that in the west.

The true worth of the Treuhand's work will be measured by the performance of the east German economy in coming years. It is now showing real signs of recovery, with growth expected to be 9 per cent this year and a further 10 per cent in 1995 (though this follows a fall of 30 per cent in 1991-1992).

Much of this growth is fuelled by the non-tradeable goods sector, including the construction and food-processing industries. Exports by privatised companies remain miserable, partly because of high labour costs and low productivity. Gross domestic product per employee in eastern Germany last year was 46 per cent of the level in the west, while per capita wages and salaries rose to 70 per cent of the western level.

Despite these more optimistic signs of growth, Mrs Breuel declines to speculate what the east German economy will look like in 10 years. "I am no Delphi. But I have no doubt that the kind of management skills we have bought and investment decisions we have made will bear fruit."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Need to achieve a better balance in social policy in Europe and the UK

From Mr Robbie Gilbert

Sir, Mr Peter Cooke (Letters, December 29), maintains that "the economic value of EU membership should be shared partly in the form of improved social benefits for workers where those can be delivered without prejudicing competitiveness". Few would argue with that. But the problem with many of the social measures brought forward by the European Commission - including the European works council directive - is that they do compromise competitiveness, and at a time when Europe's share of world trade is falling. Unemployment, particularly long-term unemployment, has been worse as a result.

The problem is that social policy has been too much concerned with the rights of those in employment and too little directed towards what would help the 20m out of work in the EU find jobs. The result has been both inflexibility in labour markets and high social costs for every person employed across much of Europe.

That undermines competitiveness and the creation of jobs. Employers are well aware of this, but it is also being recognised now by other objective observers, notably the OECD in its recent jobs study.

It was an inevitable consequence of the general approach of harmonising social provisions at the most generous - and therefore the costliest and most restrictive - level applying anywhere in Europe. The

social chapter of the Maastricht treaty, with its provision for majority voting in place of unanimity on a wider range of topics, threatened more of the same - rather than the radical rethink required. That affects British businesses and jobs. UK companies value the social chapter opt-out accordingly.

Some welcome signs of a shift in the Commission's thinking have emerged during the past 12 months, not least Commission President Jacques Delors' recognition of the competitive challenge to Europe, and Social Affairs Commissioner Flynn's promise of no new raft of legislation. A better balance in European social policy may now emerge. But whether that would have happened - and whether it will yet prevail - without vigorous advocacy from British ministers aimed at persuading their Continental colleagues must be open to question.

There are, indeed, still ostriches hiding from the challenge of change and arguing for the old approach, though they are more commonly found in Brussels than Westminster. Robbie Gilbert, director of employment affairs, Confederation of British Industry.

13 New Oxford Street, London WC1A 1DU

From Mr Robin Pedler
Sir, Peter Cooke's thoughtful letter was published in the same issue in which you featured a report, entitled "Germany ahead of UK on labour costs", detailing the Confed-

eration of British Industry's concerns that Germany's unit labour costs are reducing at the same time as the UK's are again beginning to increase.

It would seem that the current policy of resisting the legal protection of employee rights is no guarantee of maintaining comparatively low unit labour costs, even when the comparison is with Germany, the European country where those rights are most entrenched. Robin Pedler, executive director, European Centre for Public Affairs, Templeton College, Oxford OX1 1NY

From Mr Chris Pond
Sir, Your call for a debate about worker rights is welcome ("Time to debate worker rights", December 22). The UK is almost the least-regulated of the OECD economies, without legal pay protection, limits to working hours or a statutory right to paid holidays. Yet recent evidence provided by both the European Commission and the employment department has demonstrated that the deregulation strategy has not created significant numbers of new jobs.

Indeed, the UK's record of job creation is rather poorer over the medium term than that of other economies with far higher levels of social and employment protection. Employment secretary Michael Portillo's decision earlier this month to opt out of a European directive providing

improved rights for part-timers and temporary workers is a case in point. While other EU governments consider that improved rights for part-timers will increase flexibility by encouraging more people to accept part-time employment, the UK insists that fewer such jobs will be created.

The same arguments were used against the Equal Pay Act. If companies had to pay the same wage for women as for men, it was said, they would cease to employ people full-time if they were required to provide the same rights to part-timers.

Your editorial calls for "a framework of employment rights, which could make the two demands - flexibility and fairness - more visibly compatible". The experience of the US, which pursued the same deregulation strategy as the UK during the 1980s, provides an important lesson.

As Robert Reich, US labour secretary, has explained, the insecurity and uncertainty that deregulation created made people less willing to accept the changes that a modern economy requires. The lack of employment rights has resulted in less flexibility, not more.

Fairness and flexibility are not incompatible: indeed, it seems unlikely that the latter can, in the long-term, be achieved without the former. Chris Pond, director, Law Pay Unit, 27-29 Amstel Street, London EC1R 1UN

Referendum for EEC only

From Mr J G Bye

Sir, You state in your "FT Guide to EU inter-governmental Conference" (December 19) that Britain held a referendum on EU membership in 1975. But surely at that time we voted for continued membership of the European Economic Community and not for the federalist monolith we now seem to be rushing headlong towards. J G Bye, 39 Mountsorrel Lane, Rothley, Leicester LE17 7PS

Zimbabwe tobacco growers diversify by choice

From Mr P W Richards

Sir, I refer to your excellent article, "Zimbabwe's flower exports take to the sky" (December 21). It is incorrect to say that "the [flower] industry took off when while tobacco farmers decided to diversify, fearing the strength of the anti-smoking lobby in the west".

Traditionally, tobacco production has been the mainstay of farming in those areas of Zimbabwe suitable for this purpose. However, generations of tobacco farmers have recognised the danger of having all

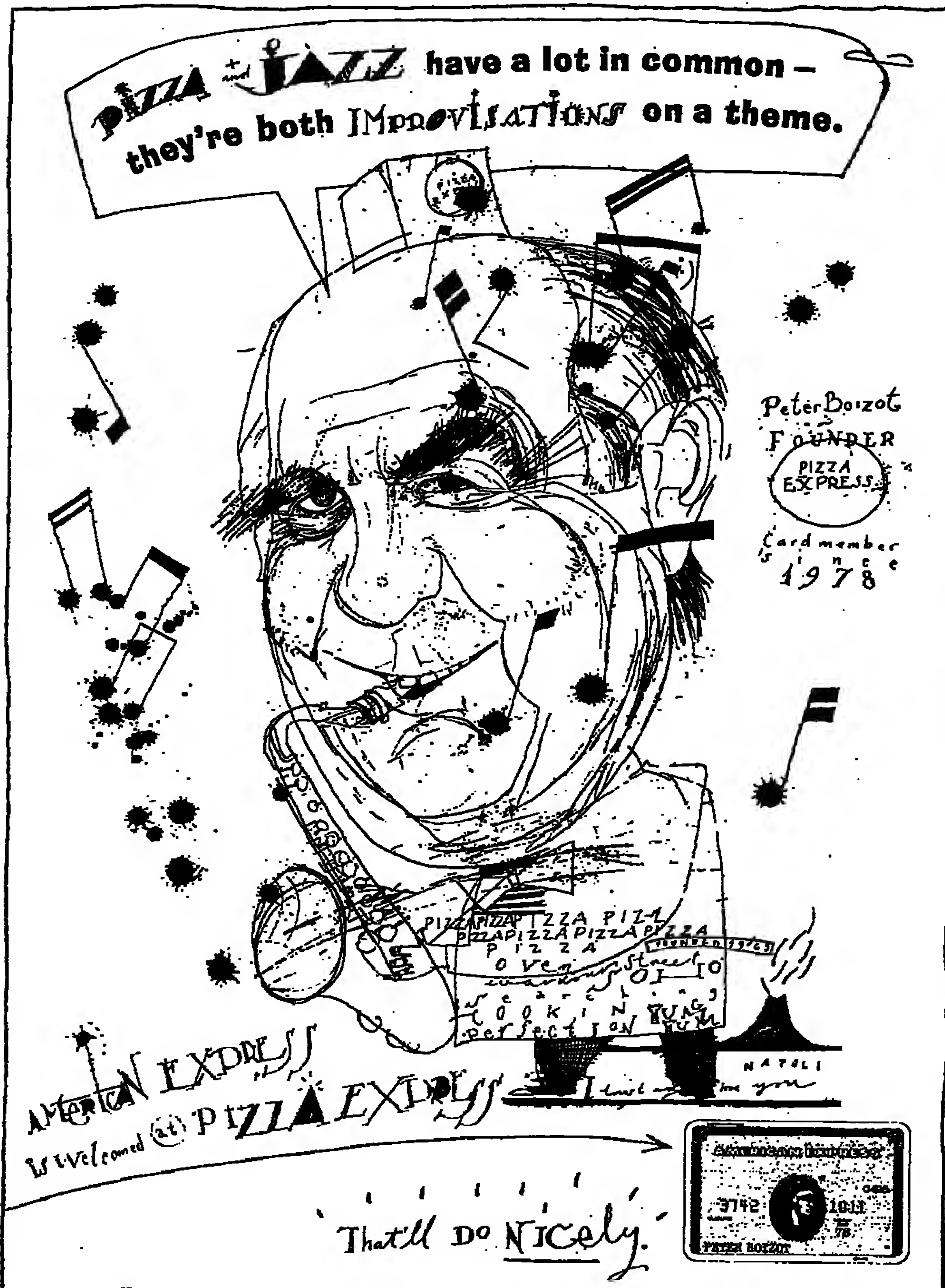
your eggs in one basket and have attempted different forms of diversification.

I will remember the governor of the Reserve Bank, when opening the annual tobacco congress in 1961, exhorting tobacco growers to diversify and suggesting ground nuts as a possible crop. This diversification has ebbed and flowed over the years, depending on the prevailing economic return of tobacco viz a viz that of alternative crops.

Horticulture is presently the most popular alternative source of income for tobacco

farmers. Not because of a fear of declining tobacco fortunes due to the anti-smoking campaign but because horticulture currently enjoys a satisfactory return on each dollar invested. To achieve such a return does, however, require a massive initial capital investment. Tobacco is the only crop which can significantly carry that investment until the first return is realised.

P W Richards, president, Zimbabwe Tobacco Association, Harare, Zimbabwe



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IN BRIEF

Bull sees return to operating profit

Groupe Bull, the French computer manufacturer in the process of being privatised, has achieved its aim of returning to profit at the operating level, according to Mr Jean-Marie Descarpentries, the chairman. Page 16

Air France 'finds Swissair plan'
Swissair, the quoted Swiss carrier, said Air France's partial ownership of Sabena was hindering its plans to buy a large minority stake in the Belgian national airline. Page 18

Fokker seeks to calm shares
Shares in Fokker, the Dutch aircraft manufacturer, fell heavily after a series of negative domestic media reports, but recovered strongly towards the close of trading as the company repeated that it was working on a new cost-cutting campaign. Page 16

Santander snatches phone licence
Banco Santander has delivered a second punishing blow to Banco Bilbao Vizcaya, its chief domestic banking rival, in little over six months. A Santander-backed consortium has edged a BBV-led group out of the contest to develop a nationwide mobile telephony system. Page 19

Jardine leaves of the Hong Kong SE
Hong Kong's stock market today loses two of its biggest and oldest listings, Jardine Matheson and Jardine Strategic Holdings. Page 19

SCA to sell clothes division
SCA, the Swedish forestry products group, has agreed to sell a clothes-making unit to William Baird, the British ready-to-wear clothing producer. It is the second strategic move announced this week by SCA's biggest subsidiary, Mölnlycke. Page 16

EA-Generali maintains dividend
EA-Generali, Austria's second largest insurance group, said its premium income rose 7 per cent in 1994, to Sch6.5bn (\$8.2bn), and reaffirmed its intention to maintain its 15 per cent dividend. Page 16

Stanhope takes trading advice
Stanhope, the property developer headed by Mr Stuart Lipton, is understood to have taken legal advice about continuing trading, pending the outcome of negotiations with its bankers, advisers and other companies which have proposed rescue schemes. Page 20

Prudential buys 25% of Thai group
Prudential Corporation, the UK's largest life insurer, has bought a 24.99 per cent stake in Thai Sathakit Life and plans to bid for further shares. Page 20

First Choice tones down German alliance
First Choice, the UK holiday group, scaled down its strategic alliance with Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it. Page 16

Bass chiefs' pay increases 17%
Mr Ian Prosser, chairman and chief executive of Bass, the brewing group, enjoyed a 17 per cent rise in total pay last year, twice the rate of increase in group pre-tax profits. Page 20

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Chief price changes yesterday

FRANKFURT (DM)		Paribas	2445	+ 145
Deutsche Bank	910	- 30		
Deutsche Bank	360	- 6.5		
Deutsche Bank	700	- 11.5		
Deutsche Bank	750	- 17		
Deutsche Bank	554	- 15.5		
Deutsche Bank	253	- 15		
Deutsche Bank	20	+ 24		
Deutsche Bank	285	+ 14		
Deutsche Bank	571	+ 24		
Deutsche Bank	231	- 14		
Deutsche Bank	754	- 14		
Deutsche Bank	822	+ 33		
New York prices at 1230				

LONDON (pounds)

Bank of England	256	+ 8	Bank of France	555	- 14
Bank of England	1036	+ 1	Bank of France	264	- 9
Bank of England	89	+ 1	Bank of France	378	- 12
Bank of England	256	+ 8	Bank of France	504	- 14
Bank of England	239	+ 8	Bank of France	897	- 11
Bank of England	239	+ 8	Bank of France	292	- 8
Bank of England	74	+ 3	Bank of France	220	- 6

Fininvest to sell supermarkets chain

By Robert Graham in Rome

Fininvest, Italy's second largest private business group owned by outgoing premier Silvio Berlusconi, is to announce today the L950bn (\$979m) sale of part of its retailing interests to a consortium of the Benetton clothing group and Luxottica, the spectacle producer.

The deal involves handing off the Euromercat supermarket chain from Fininvest's stores and retailing

division which are grouped under the umbrella of the Standa chain of stores. The division has a total turnover of L6,200bn. The sale of Euromercat will cut turnover by L1,200bn.

The sale was indirectly confirmed last night by Mr Giancarlo Foscale, head of the Standa group and a cousin of Mr Berlusconi who told Ansa, the Italian national news agency: "I can't say to whom we will sell Euromercat as there are talks with

Benetton and Luxottica; but the COOP could also come in even though this is less likely since behind them are other partners including Rinascente (the Fiat group)."

The sell-off marks an important stage in the reorganisation of Mr Berlusconi's Fininvest under the management of Mr Franco Tatò. But it also signals the rapidly expanding ambitions in the retail field of the Benetton family and Mr Leonardo Del Vecchio,

founder of Luxottica. Only two months ago they broke into this field, teaming up with Switzerland's Movenpick, to pay L2,100bn for the GS-Autogrill group being privatised by IRI, the state holding company.

The cash proceeds from Euromercat will be used to reduce Fininvest's overall debt burden which last year totalled L3,920bn on a turnover of L11,562bn. Fininvest indicated three months ago that debt would be reduced

to L2,800bn by the year end. Mr Foscale said yesterday the sale would also allow an extensive upgrading of Standa. Some L500m of existing debt is concentrated in loss-making Standa; but Standa's debts are believed to be considerably greater if long unpaid bills to suppliers are included. Standa this year is expected to lose L100bn.

Fininvest has been contemplating a partial or total withdrawal from retailing for nearly eighteen

months. Mr Berlusconi bought into this sector in the late eighties paying high prices, financed by costly debt. This was especially the case with Standa bought from the Ferruzzi group in 1988. Both Mr Berlusconi and his cousin, the manager, are understood to have resisted selling Standa. Standa alone provides more than 40 per cent of Fininvest cash flow, an important consideration for the group's overall finances.

Richard Tomkins charts the transformation of ITT as the conglomerate nears its 75th anniversary

Not on the rocks but it may still break up

The year about to begin will mark the 75th anniversary of ITT, the US conglomerate once known as International Telephone and Telegraph. Will it also be the year in which the company ceases to exist?

Wall Street is rife with speculation that ITT is about to be broken up. The company itself does not deny it could happen; indeed, in March this year it made what many analysts construed as a preparatory move by announcing plans to turn its three main operating divisions into separate subsidiary companies.

With or without a break-up, the company is being transformed. This week it said it had found buyers for ITT Financial, its group of financial services businesses, in deals that should bring in a net \$3.3bn to \$3.5bn. Only a week earlier it announced that it was buying Caesars World, the US casino group, for \$1.7bn.

The company that will emerge from this transformation will be very different from the one that Mr Rand Araskog, chairman and chief executive, inherited in 1979. During an extraordinary 20-year buying spree, his predecessor, Mr Harold Genseen, had expanded ITT beyond its roots in telecommunications and built it into one of the world's biggest multinational conglomerates.

Under Mr Genseen, ITT snapped up any company it regarded as undervalued, regardless of the business it was in. Its 250 acquisitions included companies as diverse as Avis, the car rental group; Continental Baking, maker of Wonder bread and Twinkies; Esso Oil, an oil and gas producer; and W. Albee Surges, a seed company.

Something else ITT snapped up any company it regarded as undervalued, regardless of the business it was in. Its 250 acquisitions included companies as diverse as Avis, the car rental group; Continental Baking, maker of Wonder bread and Twinkies; Esso Oil, an oil and gas producer; and W. Albee Surges, a seed company.

without much regard for ethics. One of the more notorious scandals it was involved in was in 1970 when, fearing the nationalisation of its assets in Chile, it offered the Central Intelligence Agency \$1m to fund a campaign to block the election of the left-wing Allende government.

When Mr Araskog took over at ITT, one of his first moves was to soften ITT's image by emphasising social responsibility. But he was tough in other ways: he ruthlessly hacked back the sprawling ITT empire, not only selling off most of the businesses acquired by Mr Genseen, but even pulling

The share price has rebounded on the prospects of what the future may hold

ings of \$913m were an improvement on the previous year's losses of \$80m, but were lower than the \$22m earned in 1990. Yet the share price has rebounded on the prospects of what the future may hold.

Today, ITT is still diversified, but Mr Araskog has whittled it down to three main areas of activity. Financial services, the largest division, comprises ITT Hartford, a big insurance company; ITT Financial, now being sold; and ITT Communications and Information Services, a publisher of telephone and business directories. The manufacturing division comprises an array of automotive, fluid technology, and defence and electronics businesses. And the leisure division, the smallest of the three, consists of ITT Sheraton, the international hotel group.

Mr Araskog's recent strategy has been to strike a better balance between the three divisions by selling the financial services operations, excluding ITT Hartford, and using the proceeds to expand in the lodging, gaming and entertainment industry.

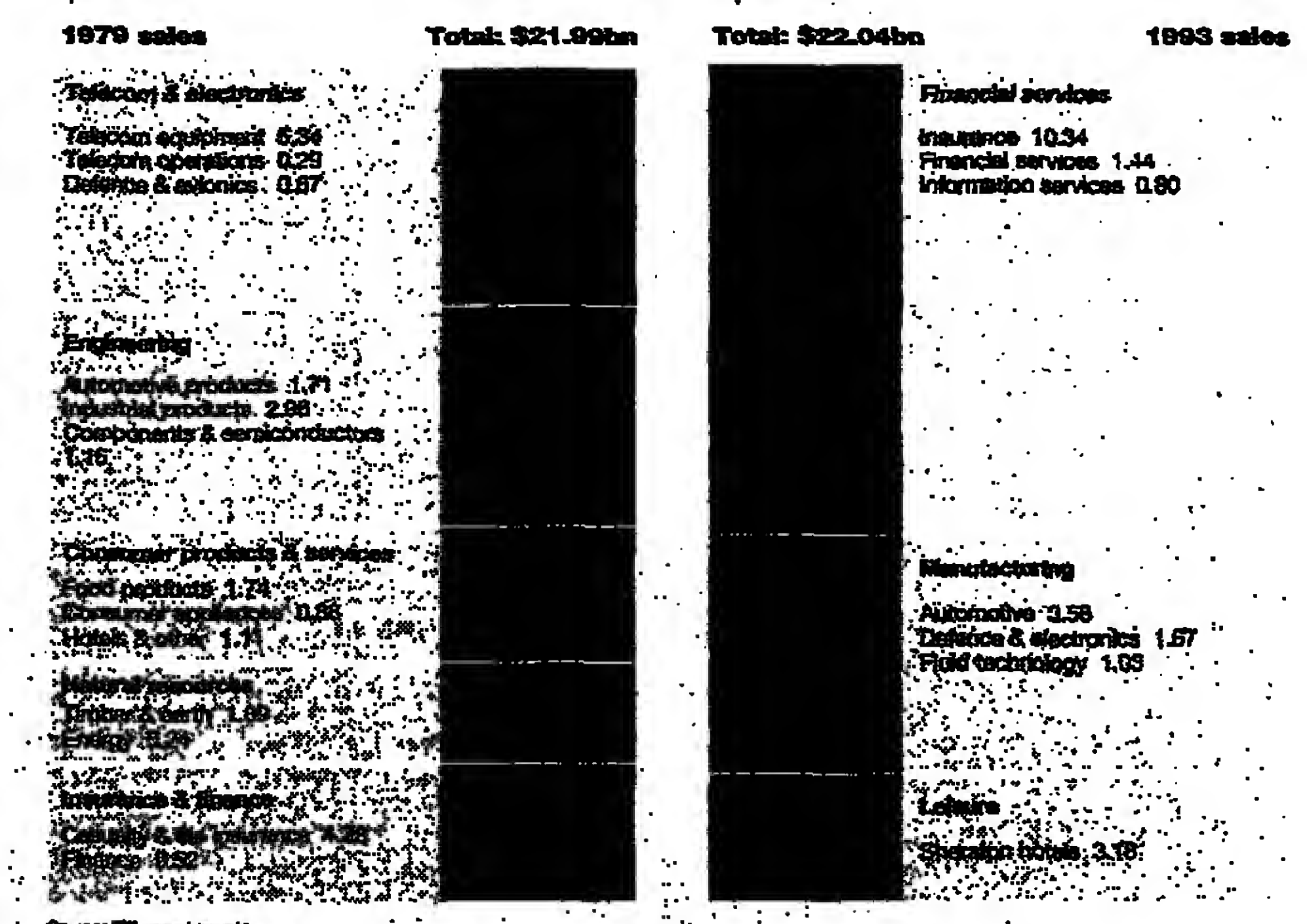
In the past few months ITT has spent \$400m to acquire a 70 per cent controlling stake in Ciga, the Italian luxury hotel group; signed up with Cablevision Systems, a US cable television company, to buy New York's Madison Square Garden sports and entertainment complex for \$1.1bn; and agreed the \$1.7bn acquisition of Caesars World, one of the best-known names in the gaming industry.

Not all the moves have been welcomed by Wall Street. ITT's share price fell by 8 per cent in the week the company announced the Madison Square Garden acquisition because ITT had no experience in the sports

business and Madison Square Garden lacked any obvious synergy with ITT's existing activities.

"That seemed to scare investors," says Mr Jay Cohen, an analyst at Salomon Brothers. For the same reason, the market is uneasy about hints that ITT would like to buy into television broadcasting.

Yet excitement has been provoked by the prospects of a break-up. Mr Finis Young, an analyst at Lehman Brothers, points out that investors have difficulty in valuing the ITT conglomerate because insurance companies are typically valued on a multiple of book value, industrial companies are valued on a multiple of earnings, and



hotel and casino companies are valued on a multiple of cash flow. Break the three up, Mr Young says, and ITT would be worth at least \$115 a share, compared to yesterday's \$97.74.

ITT has been careful not to confirm or deny the likelihood of a break up, but it says this is not the main motivation for incorporating the three divisions. As separate companies, it says, they will perform better because they will have more management freedom and will be in a better position to raise capital for the growth of their businesses.

This is not the first time speculation about a break-up has arisen: Mr Araskog spoke of splitting up ITT in an interview with the Financial Times nearly three

years ago. But this time, investors see greater grounds for certainty because Mr Araskog, 63, reaches the mandatory company retirement age in 18 months.

ITT insiders say Mr Araskog, has no inclination to retire. He also finds the entertainment business particularly appealing because it gives him a high public profile and allows him to travel the world, both of which he enjoys.

If ITT ceased to exist, so would the mandatory retirement age - and what then would prevent Mr Araskog from staying on as chairman of the leisure and entertainment company for as long as he liked?

Cartel block on Hochtief bid to raise holding in Holzmann

By Judy Dempsey in Berlin

Hochtief, one of Germany's largest construction companies, will not be allowed to increase its stake in Philipp Holzmann, its main domestic competitor, the federal cartel office said yesterday. Hochtief, which wants to expand its domestic market share and international profile, said it would examine the preliminary decision and possibly challenge it by January 10, the deadline set by the cartel authorities before they make their final ruling on January 16. The preliminary ruling is expected to be confirmed.

Holzmann, Germany's biggest construction company, expressed relief at the decision. It had been uneasy about Hochtief's possible eventual acquisition of a majority stake. "The cartel office held the trump card, and we played it," Holzmann said.

Although the largest two construction companies in Germany, they together account for about 3 per cent of the total market.

However, since both companies specialise in large industrial projects, ranging from bridges to airports, they enjoy a dominant market position in these sectors.

Mr Jürgen Klecker of the cartel office said an increased Hochtief stake in Holzmann would have increased the companies' dominant position. The decision was made after examining contracts worth DM50m (\$32m) or more.

Between 1990 and October 1994, Hochtief and Holzmann had 30 per cent of the 580 contracts of this size or over. Any merger would hinder competition, Mr Klecker said.

Hochtief had intended to increase its 20 per cent holding in Holzmann to 30 per cent through acquiring a 10 per cent stake

owned by BRG, a subsidiary of Credit Lyonnais. BRG acquired that stake last year. Hochtief was also considering buying 5 per cent owned by Commerzbank.

Deutsche Bank remains Holzmann's largest shareholder with 25.9 per cent, although recent reports indicate it wants to reduce that stake to 10 per cent.

Hochtief had intended to combine the skills of both companies to expand on the world market at a time when the construction industry in west Germany is stagnating, although it remains buoyant in east Germany.

Hochtief last year had a turnover of DM6bn, with foreign sales accounting for 20 per cent, and net earnings of DM122m. Holzmann had a larger turnover of DM12.4bn, but lower earnings of DM106m. RWE, Germany's largest electricity company, owns 56 per cent of Hochtief.

Banesto sells Portugal stake

By Peter Wise in Lisbon

Banco Español de Crédito, the troubled Spanish bank, agreed yesterday to sell its 50 per cent holding in Banco Totta e Açores, Portugal's third largest bank, for \$615.3bn (\$944.3m).

The buyer is Mr António Champalimaud, a 76-year-old Portuguese entrepreneur who has been buying back the industrial and financial empire wrested from his family after Portugal's left-wing revolution in 1974. He is Portugal's richest individual, with an estimated personal net worth of \$1.7bn.

Banesto's price for BTA is approximately two times book value. It is similar to the vetoed bid made by Banco Comercial Português for Banco Português

do Atlântico, the second largest bank, in September.

The sale price is close to \$5.500 a share. BTA shares were indefinitely suspended at \$5,600 yesterday when rumours of the deal reached the market.

BTA's return to Portuguese control marks a political victory for the Lisbon government, which has pressed for the reduction of Banesto's stake to 25 per cent - the limit set for foreign holdings under the terms of BTA's privatisation, begun in 1989.

The deal is also a coup for Mr Champalimaud, who remade his fortune in Brazil after most of his assets, representing almost two-thirds of Portugal's industrial capacity, were nationalised. Banesto is to sell both the 25

per cent of BTA it owns directly and 25 per cent it controls indirectly through two Portuguese lawyers. A six-month parliamentary hearing into the legality of the indirect stake proved inconclusive. But Banesto's sidestepping of Portuguese law has been an acute embarrassment for the government.

Banco Santander, which acquired control of Banesto in April to become Spain's largest banking group, described the sale as a rational business decision.

The sale has to be approved by the Portuguese authorities. But the finance ministry is believed to have informally approved the deal and bankers said Mr Champalimaud may have secured an exemption having to make an offer for 100 per cent of BTA.

González fails to quell fear of instability

'Dirty war' claims hit Spanish markets again

By Tom Burns in Madrid

Accusations of government involvement in a secret "dirty" war against separatist Basque terrorist sympathisers shook Spanish markets again yesterday, sending the peseta to an historic low against the D-Mark.

Increased fears of political instability drew Mr Felipe González, the prime minister, into giving a rare press conference, but he failed to settle market nerves. The Madrid Bolsa fell to its lowest level since the European currency crisis in the autumn of 1992.

Mr González, who is facing the most testing period of his 12 years in power, rejected allegations that his government had been involved in a shadowy death squad and said he had no intention of resigning or of calling early elections.

"There is a majority that prefers the stability that comes from serving out the full legislature," said the premier, who won a fourth successive four-year term

in 1992, although he fell short of an overall majority.

But as a relaxed looking Mr González dug in his political heels, the Bolsa came under sharp selling pressure and its general index closed at 280.33 points, 3.26 points down on Wednesday. The index has lost nearly 6 per cent of its value

Domestic fears hit Madrid
World stocks, Section II

since the government was rocked last week by allegations that linked it to an undercover war against Basque separatists in the mid-1980s.

The peseta, which had firmed at Ptas84.64 against the D-Mark on Wednesday, dropped to Ptas85.20 before steadying to close at Ptas84.94. The yield on the Treasury's 10-year bond was pushed up to 11.88 per cent from Wednesday's 11.72 per cent.

The government, which has been shaken by a string of scandals and corruption allegations

this year, is highly embarrassed by a well-publicised legal probe into a group of mercenaries who fought members of the Basque Euzkadi organisation in south-west France 10 years ago.

Three former security chiefs were remanded in custody last week in connection with the dirty war, and more indictments are likely.

Questioned over the death squad allegations, Mr González said his government had "acted strictly within the framework of the law in what was an extraordinarily difficult situation". He rejected opposition calls for his resignation as "out of the question".

Assurances of continued backing came from the Catalan nationalist leader, Mr Jordi Pujol, whose party has provided Mr González with a parliamentary majority over the past 18 months. In an interview with a Barcelona newspaper yesterday, Mr Pujol said the prime minister could count on his "wholehearted and firm support".

US takes lead over Japan in vehicle output

By Kevin Dore in London

The US has overtaken Japan this year to become the world's top motor vehicle producing nation for the first time since 1979.

According to data collected by Automotive News, the US weekly vehicle production in the US has risen by 13 per cent this year to 12.28m from 10.87m in 1993.

Vehicle output in Japan has fallen by 2 per cent to 11m from 11.23m in 1993. Production in Japan has fallen for four years in succession under heavy pressure from the domestic recession and from declining exports.

New vehicle registrations in Japan have shown the first signs of recovery in recent months, but for the full year, vehicle output has fallen to the lowest level for 12 years. Production peaked at 13.48m in 1990 after first overtaking the US in 1980.

In the US, vehicle production has risen rapidly during the past three years, matching the expansion in the domestic market.

Output dropped to 8.5m in 1991, the low point of the last recession. It has risen by 38 per cent in the past three years to reach this year's level, however, and is forecast to increase further next year to top the previous record level of 12.89m, set in 1978.

The new ascendancy of the US as the world's leading vehicle producer owes much to the restructuring of the world automotive industry over the past decade.

Japanese vehicle producers have contributed greatly to the shifting balance by transferring more production out of Japan during the past 10 years, first to North America, and more recently to Europe and south-east Asia.

General Motors, Ford and Chrysler, the big three US car producers, have restructured drastically to regain world competitiveness and their fortunes have improved, but their domestic position is under challenge.

About 15 per cent of US vehicle production is now coming from Japanese carmakers' plants - either wholly owned or in joint ventures - compared with nothing little more than a decade ago. Honda was the first Japanese vehicle maker to begin car assembly in the US in 1982.

Japanese vehicle makers now operate 11 assembly plants and three engine plants in North America, and Honda is the leading US car exporter.

Since the early 1980s, the Japanese have built in the US an auto industry larger than that of Britain or Italy or Spain.

With its improved competitiveness, the North American auto industry is becoming a growing force in world auto markets, albeit from a small base.

THE LEX COLUMN

Prescription for takeover

Almost everything that could go wrong for Upjohn has gone wrong. Four of its top drugs, generating combined sales of more than \$1bn, have lost US patent protection during the past two years. Its main hope for the non-prescription market, an anti-balding treatment called Rogaine, was refused a licence by the US Food and Drug Administration earlier this year.

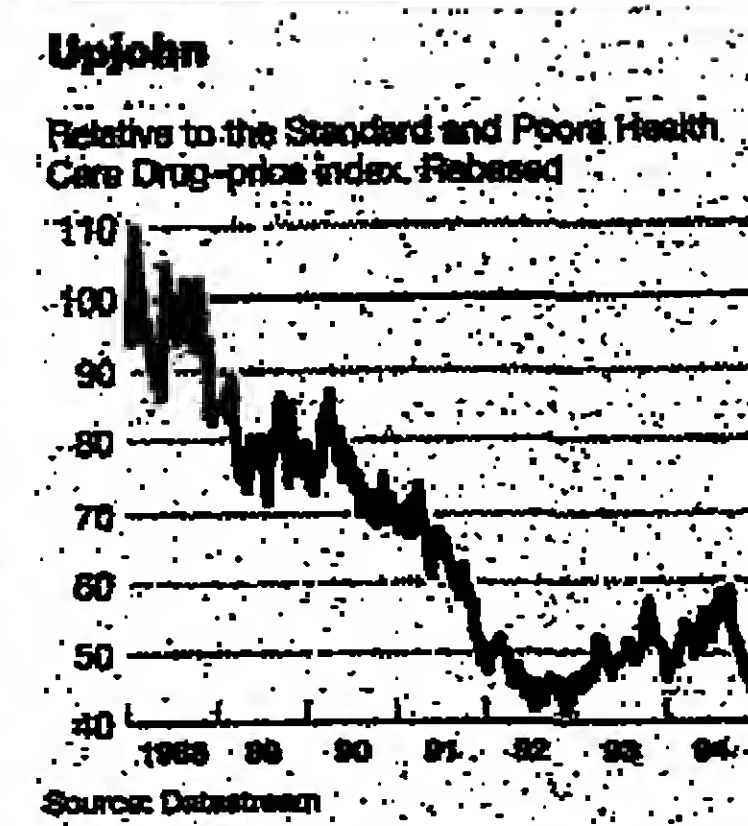
Now, the most important drug in development, Freedex, a treatment from a class of drugs called Lazaroids - because they are meant to help stroke and head injury victims recover, as if from the dead - has proved a misnomer. Enrolment for a trial has been halted when it was discovered head injury victims were more likely to die taking the drug than an ineffective dummy medicine.

At best the Freedex fiasco means a delay in the drug's approval. At worst it may never be launched.

Upjohn has a huge hole in its development pipeline, with nothing capable of replacing the sales from the drugs that have lost patent protection. The first indication of Mr John Zabriske, the youthful and recently appointed chairman and chief executive, will be to soldier on. But the company is now, more than ever, vulnerable to a takeover from a European drugs group.

Much depends on the attitude of the Upjohn family, which still owns a significant stake. If the family has lost confidence in the present management, if it can wring guarantees from a predator about maintaining a substantial presence at the Kalamazoo headquarters, and if it waits for forthcoming US legislation on capital gains tax, Upjohn's future as an independent company is doubtful.

FT-SE index: 3065.6 (-30.2)



will be an appreciable deterioration in the bank's core, tier one capital ratio. Other recent acquisitions, both in Germany and abroad, have also involved a large goodwill element. Given the bank's reluctance to sell the bulk of its industrial holdings, the danger is that shareholders will be obliged to turn to shareholders to restore its capital base.

Investors may be reluctant to contemplate this, as the strategy behind the acquisitions makes questionable sense. Recent purchases in Spain, Italy and now the US enhance the bank's position in these countries, but do not transform the bank's global competitiveness or its earnings power. The bank should consider pulling out of peripheral markets - especially in Spain and Italy - and concentrating its resources on developing a world-class investment banking operation.

have contributed to an over-reaction. The current account deficit is a concern, but the drought has restrained exports, while import growth has been partially ascribed to capital equipment investment to retain competitiveness. Inflation should peak at 5.5 per cent in late 1996, not enough to justify current bond yields. Industrial stocks already look undervalued on earnings estimates for the next two years. The Australian dollar is tied to commodity prices, and is likely to strengthen steadily. An excessive appreciation would, of course, erode industrial competitiveness in the longer term, but a strengthening dollar should attract overseas cash, providing further support for the market. Shares, down 17 per cent since February, look over-sold.

Derivatives accounting

Derivatives pose a challenge to those who devise accounting standards, not least because part of the reason d'être of complex financial instruments is to circumvent existing disclosure rules. But derivatives have the power to transform a company's risk - for little cash outlay - in a way which is not reflected in conventional historical cost accounting.

The UK's Accounting Standards Board, currently examining ways of improving financial reporting in this area, is thus right to tackle the issue. The ASB is likely next year to recommend increased disclosure so that users of accounts get more information about the risks taken on by the company. Thus, companies may be required to disclose the impact of fluctuations in exchange or interest rates on balance sheet ratios. Some groups release this information voluntarily now, as part of a review of treasury policy in the operating and financial review which forms part of a set of accounts. The ASB should go further, for example requiring companies to recognise unrealised gains and losses incurred on derivatives.

Given derivatives' inherent complexity, though, there is a danger that greater disclosure will sow confusion rather than understanding among users of accounts. But if the process of complying with such rules helps companies better to identify the risks they are letting themselves in for, neither management nor investors should complain.

Deutsche Bank

If ITT's sale of its financial services arm is in shareholders' interests, the reverse may be the case for Deutsche Bank, which is paying a net \$90m for ITT Commercial Finance. True, Deutsche will be able to reap benefits from putting together its existing north American asset-based lending activities with those of the ITT subsidiary, and will gain access to thousands of new customers in north America and elsewhere in the world.

But the bank will also have to write off substantial goodwill following the acquisition. No figure for this has been disclosed, but analysts put it at \$700m. The acquisition adds \$3.75bn of receivables to Deutsche's balance sheet, but the net effect of the deal

Australia

Is Australia about to embark on another vicious boom bust cycle? With bond yields in excess of 10 per cent, investors appear to have reached their conclusions already. The chief worry is inflation, even though it is running below 3 per cent. Interest rates have been raised by 2.75 percentage points since mid-August and tax increases are in the pipeline, but this may not be enough to curb overheating. The drought has not prevented the economy growing at 5 per cent. The reliance on commodities, which account for more than 60 per cent of exports, limits the effectiveness of monetary or fiscal policy as a way of controlling economic growth.

Memories of the last recession may

Second German nuclear plant cancels contract with Thorp

By Andrew Fisher in Frankfurt and David Lascelles in London

British Nuclear Fuels has received another setback after the decision by a second German nuclear power station not to send spent fuel to the Thorp reprocessing plant at Sellafield in north-western England. Further cancellations may be on the way.

RWE and Bayernwerk, the companies operating the 2,600MW Gundremmingen nuclear power station in Bavaria, wrote to BNFL last week informing it of their intention to end the present contract and use domestic storage facilities instead.

BNFL learned just before Christmas that the Krtmmel power station in northern Germany was cancelling a contract with Thorp under pressure from the nuclear lobby.

Because of changes this year to

Germany's nuclear legislation, permanent storage is now possible in Germany. This is much cheaper than the controversial reprocessing method, which produces plutonium.

A permanent storage facility is being built at Gorleben in the northern state of Lower Saxony. Until the new site is completed, spent fuel from Gundremmingen, located on the river Danube, will be stored at Ahaus in the state of North Rhine-Westphalia (where RWE is based) and at interim facilities in Gorleben.

No details were available about the size or duration of the Gundremmingen's contract.

Bayernwerk said the companies were ending the contract before December 31 to save on cancellation penalties. Other German utilities may also cancel before this weekend for the same reason.

Since penalty payments do not

apply to a similar reprocessing contract with Cogema of France, there is no need to end these now. But negotiations will take place with the French company.

The lost contract relates to the second 10 years of Thorp operation, from 2004 to 2014. BNFL had offered German utilities cancellation clauses after the law change.

BNFL had no comment on the cancellation last night. However, the company had been expecting to lose business ahead of the increase in cancellation penalties. It estimated it could lose 20 per cent of Thorp's orders in the second 10 years. This would not affect the plant's viability, which was based on revenues for its first 10 years.

The cancellation will hearten British environmentalists who opposed Thorp's construction and sought to have it cancelled during last year's government review.

Unisys cuts

Continued from Page 1

businesses to provide nearly half of the commercial revenue of Unisys in 1995," he said.

"As they become an ever larger part of the total company, the traditional infrastructure must be far more streamlined and efficient."

For 1993, Unisys reported net income of \$565.4m on revenues of \$7.7bn. For the first nine months of 1994, net income totalled \$152.8m on revenues of \$5.3bn.

Mexican economy plan

Continued from Page 1

extra funds if holders of government securities decided not to roll over their investments and demanded dollars over pesos. More than \$10bn in dollar-denominated, short-term government securities called Tesobonos come due in the next three months.

Backing from the Group of Seven leading industrialised nations for Mexico's economic stabilisation plan would increase the likelihood that investors will

remain in the market, thus reducing the need for an emergency injection of international capital.

Meanwhile, the central bank said it was preparing a package of "new and attractive" debt instruments to retain the participation of foreign investors.

Investors were also encouraged by signs that negotiations between the government and armed rebels in the southern state of Chiapas could begin soon.

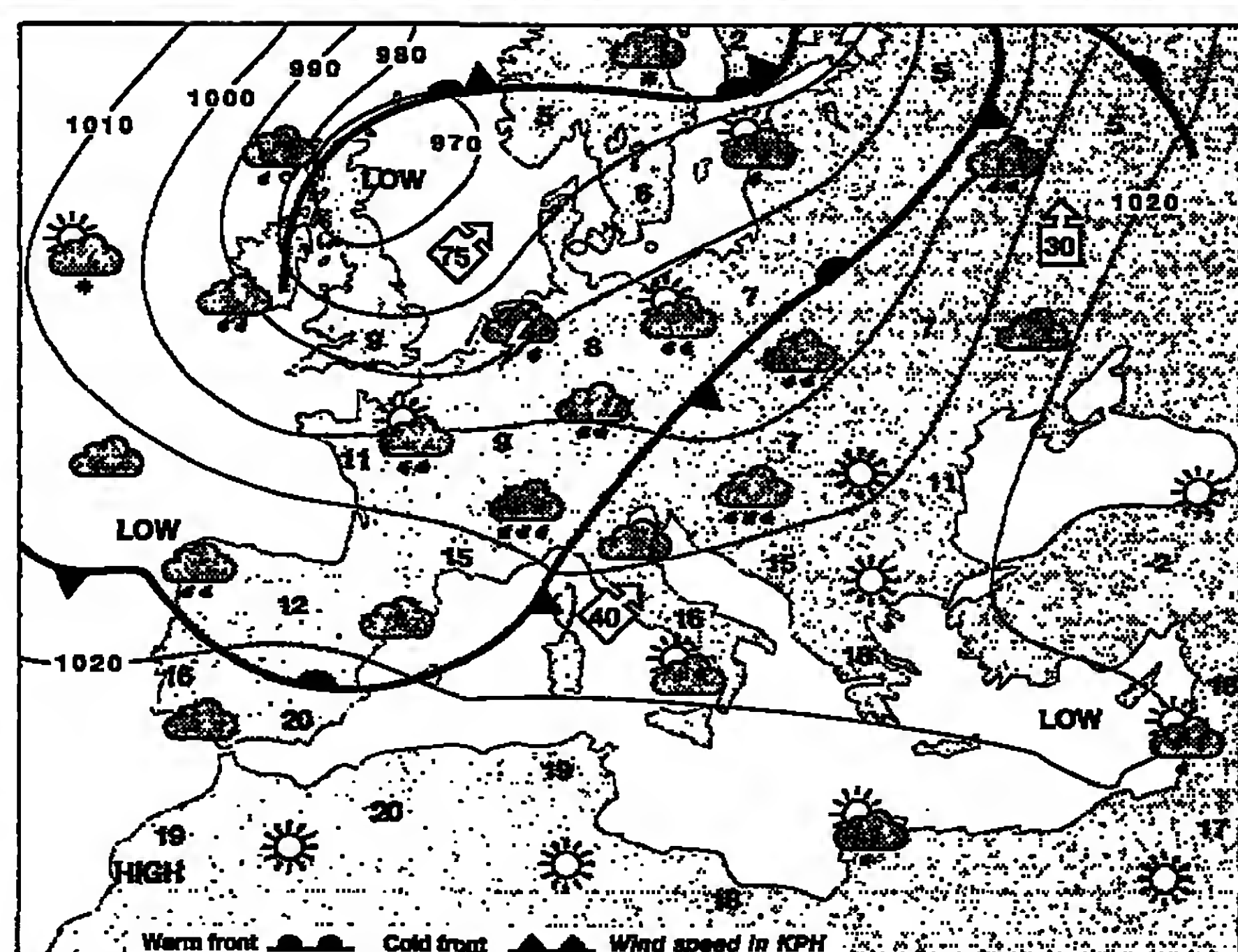
FT WEATHER GUIDE

Europe today

A deep low pressure system near Scotland will bring scattered showers to the UK, Ireland and the Low Countries with a risk of hail or thunder. South-westerly gales are expected from Ireland to Denmark. Central Europe will be mostly cloudy with rain and snow in the Alps. An active depression will cause long periods of rain in Portugal and north-west Spain with temperatures above 20C on the coast. Snow is expected in central Scandinavia, but strong south-westerly winds will push moist and mild air accompanied by showers into southern Scandinavia. South-east Europe will be mostly sunny, but occasional showers are expected in Egypt and Libya.

Five-day forecast

Cold unstable air will be driven into western Europe as the low pressure system moves to southern Scandinavia. Snow and hail showers are expected from Ireland to Germany, with temperatures barely above freezing. The Alps will have a lot of snow and Spain will continue to have periods of rain. Rather unsettled conditions are expected in south-eastern Europe and Italy with outbreaks of rain.



TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	sun 26
Accra	sun 31
Algiers	sun 20
Amsterdam	show 18
Antwerp	show 18
Athens	sun 16
Atlanta	cloudy 8
B. Aires	sun 31
Bahia	sun 31
Bangkok	sun 34
Barcelona	cloudy 16

Berlin	sun 10
Bombay	sun 26
Buenos Aires	sun 20
Calcutta	sun 31
Cardiff	sun 10
Casablanca	cloudy 19
Chicago	cloudy 2
Cologne	show 8
Dakar	sun 28
Dallas	sun 15
Dhaka	sun 26
Dublin	sun 8
Dublin	sun 8
Dubrovnik	sun 17
Edinburgh	cloudy 7

Faro	sun 30
Frankfurt	cloudy 9
Geneva	sun 19
Glasgow	cloudy 13
Glasgow	rain 8
Hamburg	show 28
Helsinki	drizz 15
Hong Kong	cloudy 22
Hankow	show 27
Istanbul	sun 31
Jakarta	sun 31
Jersey	show 11
Karachi	sun 28
Kuala Lumpur	cloudy 28
L. Angeles	sun 18
Las Palmas	sun 23
Lima	cloudy 25
Lisbon	sun 17
London	show 10
Luxembourg	show 10
Lyon	sun 19
Madrid	cloudy 22

Manila	sun 31
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Bavarian Ministry for Economic Affairs, Transport and Technology
Dr. Manfred Pfeifer
Prinzengartenstr. 28
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INTERNATIONAL COMPANIES AND FINANCE

Bull recovers at operating level

By John Riddling in Paris

Groupe Bull, the French computer manufacturer in the process of being privatised, has achieved its aim of returning to profit at the operating level, according to Mr Jean-Marie Descarpentries, chairman.

Addressing a shareholders' meeting yesterday, he said he expected an operating profit of between FF100m and FF200m (\$13.2m-\$25.5m) for 1994, compared with a loss of FF1.50m in 1993.

Mr Descarpentries said the turnaround reflected the

restructuring and cost-cutting measures implemented over the past year, and that the company should break even at the net level by the middle of 1995.

The improvement in results follows a protracted period of significant losses during which Bull has accumulated a net deficit of FF200m since 1989. The weak financial performance pushed the French government to seek privatisation through the formation of industry partnerships rather than through a public offer for shares.

Potential bidders for stakes in Bull, which are thought to include NEC of Japan, are examining the company before making a binding final offer. The privatisation is scheduled to be completed before next spring's presidential elections.

Mr Descarpentries said the group should allow a flotation of shares after privatisation. He said this could involve between 10 and 20 per cent of the equity in the company and would require the agreement of its leading shareholders.

According to the Bull chair-

man, the recovery in results reflected a series of factors, including a sharp reduction in costs. He said that non-salary costs had been cut by FF1.25m in 1994, and that further reductions would be made in 1995 and 1996.

The group also benefited from a sharp improvement at Zenith Data Systems, its personal computer division. Mr Descarpentries said ZDS, which has a strategic alliance with Packard Bell of the US, had returned to profit at the operating level in the final quarter of the year.

First Choice tones down German alliance

By David Blackwell in London

First Choice, the UK holidays group, yesterday scaled down its strategic alliance with Germany's WestLB bank, which controls a 21 per cent stake in it.

The group also announced that Mr Wolfgang Trube, chief executive of a WestLB subsidiary, would be joining the board as a non-executive director. He will replace Mr Christopher Rodriguez, chief executive of Thomas Cook, which is 90 per cent owned by WestLB.

Thomas Cook bought the 21 per cent stake in First Choice, formerly known as Owners Abroad, last year, helping First Choice to defeat a hostile takeover bid from Air Tours, a rival tour operator.

The Owners Abroad management at the time expected substantial savings to follow through co-operation with LTV, the German travel company 24 per cent owned by WestLB.

First Choice will retain its retail agreement with Thomas Cook, but will end attempts to realise economies through links with LTV. Mr Trube's task will be to monitor WestLB's investment and to provide an informal channel for links with LTV.

"I think it's a new start," Mr Francis Baron, First Choice chief executive, said yesterday. "It's a new start on a very pragmatic, business-oriented basis, aiming to secure benefits for all our shareholders."

Dr Johannes Ringel, chairman of Thomas Cook and a member of the WestLB board, said that WestLB remained "committed and supportive shareholders and believe that the company has a bright future."

The alliance always promised far more than it delivered. At the same time the management structure of First Choice changed out of all recognition. Shortly after defeating the Air Tours bid, the chairman and managing director of Owners Abroad resigned after disclosing that full-year profits would be only half of market expectations.

SCA sells clothes-making division to William Baird

By Hugh Carnegie in Stockholm

SCA, the Swedish forestry products group, said yesterday it had agreed to sell a clothes-making unit to William Baird, a UK clothing producer. It is the second strategic move announced this week by SCA's biggest subsidiary, Mölnlycke.

Mölnlycke, which makes leisure wear at three manufacturing plants in Portugal, is to be sold at a price "slightly above" its net book value, which stands at about SKr185m (\$24.7m).

Turnover this year is set to reach SKr720m, and SCA said the price represented a multiple of six times operating profit.

William Baird, with annual sales of about \$500m (\$773.5m), produces chiefly for the UK market. It said it intended to keep Mölnlycke as a separate unit within the Baird group, and maintain its present management.

The sale is a significant step in a restructuring programme at Mölnlycke, a company with annual sales of SKr15bn, to focus on and strengthen its core operations in absorbent materials, tissue and clinical products. As well as disposing of Mölnlycke, Mölnlycke is looking to sell its toiletry division.

Mölnlycke's biggest operations are in so-called "fibre products", making disposable baby nappies, adult incontinence products and fem-

inine hygiene products. It runs second to Procter & Gamble in European market share for nappies. It is also a world leader in adult incontinence products and Europe's second largest manufacturer of sanitary towels.

Fierce competition in baby nappies forced Mölnlycke earlier this month to launch a SKr1.8bn programme of cost-cutting and reinvestment in order to sharpen its competitiveness and stem a drag on group profits.

On Wednesday, Mölnlycke said it was spending SKr400m on buying up the balance of Scott Health Care, a 50-50 joint venture with Scott Paper in the US which makes adult incontinence products in the US and Canada.

Green light for Cariplo in Rolo bid

By Robert Graham in Rome

The Bank of Italy has given the go-ahead for the L3,291bn (\$291bn) bid for Credito Romagnolo (Rolo), the Bologna-based commercial bank, launched by a consortium headed by Cariplo, Italy's largest savings bank.

The bid still requires the approval of Consob, the stock exchange watchdog, but this is unlikely to be withheld.

The main issue is whether Credito Italiano, the recently-privatised bank that initiated a takeover battle for Rolo, will raise the stakes. Credito has already improved its original offer, but it is still 15 per cent below that of Cariplo.

The consortium led by Cariplo is made up of IMI, the partly privatised banking institution; Carisbo, the regional savings bank covering the Emilia Romagna region; and Reale Mutua, the insurance group. The bid, launched just before Christmas, is for 70 per cent of Rolo's equity and would leave Cariplo with 52 per cent of the shares at an anticipated cost of L3,400bn.

The official prospectus is likely to be released early next week, probably on January 3. Analysts believe Credito would find it difficult to improve the Cariplo offer on its own. However, they consider it still possible for allies to be brought in to help capture the prize of one of Italy's most profitable regional banks.

Fokker moves to arrest share fall

By Ronald van de Krol in Amsterdam

Shares in Fokker, the Dutch aircraft manufacturer, fell heavily yesterday after a series of negative domestic media reports, but recovered strongly towards the close of trading as the company repeated that it was working on a new cost-cutting campaign.

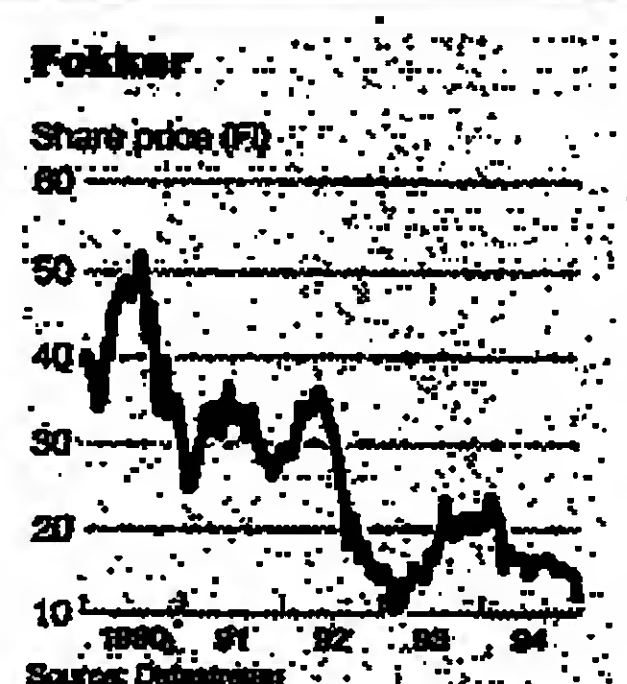
In early trading, the shares fell by more than 15 per cent to FF10.20 from FF12.10 on Wednesday. Dutch television on Wednesday night reported that management consultants believed the company's high costs made it uncompetitive, raising the possibility of plant

closures. A Dutch newspaper said job losses might be as high as 1,000, while union officials said they were expecting proposals for more than 500 job cuts.

However, the shares recovered after the company dismissed the reports of 1,000 further job losses and plant closures as premature speculation. It reiterated its intention to draw up a new cost-cutting plan by the end of February. It also said the management consultants' report was based on out-of-date figures.

Fokker's shares closed yesterday at FF11.80, down 2.5 per cent from Wednesday.

In mid-December, the shares



fell to a 1994 low of FF9.50 after the company revised earlier forecasts of lower losses and said the deficit this year would be around the record FF140m (\$261.4m) incurred in 1993. The company has blamed the decline of the dollar and downward pressure on the selling price of aircraft for its failure to pare losses this year.

Athena suppliers seek legal advice

By Raymond Snoddy in London

Creditors of Athena, the poster and card retailer forced into administrative receivership by its parent Pentos, yesterday sought legal advice about the legality of the action.

Mr John Allan, a director of B. Pyrodes, a Sheffield-based supplier of novelty stationery, said his company was owed £75,000. He said he was always understood he was dealing with Pentos, and he only agreed to supply Athena after a £45m (\$69.5m) rights issue came through for Pentos earlier this year.

Mr Allan's company supplied children's stationery decorated

with spiders and slugs. Mr Allan, who received an urgent fax from Athena on December 19 for further supplies worth £25,000, said last night he was told by receivers Grant Thornton that he would not get any of his money. He said that in 16 years in business he had never before had a bad debt of more than £5,000.

Mr Charles Marler of Davy Marler, another supplier of novelty stationery, said his company was owed £80,000. He said last night he knew there was a degree of risk but thought that Pentos would stand behind Athena.

Pentos, whose main company is Dillons the booksellers, said on Wednesday the board

had decided it should not inject further funds into Athena's UK business because there was no prospect of its returning to profit in the foreseeable future.

Earlier this week, Pentos had changed the name of the Athena subsidiary from Pentos Retailing Group to Athena Holdings. The directors of the latter then called in the receivers.

Mr Bill McGrath, Pentos chief executive, said in an interview on Wednesday "We couldn't give it [Athena] away." Mr Marler said yesterday: "To ringfence a bit of the business like this is morally reprehensible."

Pentos declined to comment yesterday.

Shanghai Tyre & Rubber Co., Ltd. Notice of Interim Shareholders' Meeting

As resolved by the 8th Session of the First Board of Directors (the "Board") of Shanghai Tyre & Rubber Co., Ltd. (the "Company") convened on December 19, 1994 (the "Meeting"), an Interim Shareholders' Meeting of the Shareholders of the Company is hereby called to be conducted by way of written consent with respect to a proposed issue of convertible bonds by the Company. The matters for consideration and the meeting procedure for the Interim Shareholders' Meeting are set forth in the three sections below.

- Matters for consideration:**
 - The Board resolves that for the purpose of financing the Company's Capital Expansion Program, the Company issue and sell in a global offering during the first half of 1995, up to U.S. \$100,000,000 principal amount of convertible bonds due 2002 (the "Convertible Bonds"), convertible into Renminbi denominated shares of the Company (the "Shares"), on such terms and conditions as the Board shall determine in the best interests of the Company, in the exercise of its discretionary powers, subject to the approval of the relevant PRC governmental authorities, upon the earlier of the maturity of the Convertible Bonds or their complete conversion into Shares, the total number of Shares issued shall not exceed 10% of the total number of Shares of the Company.
 - The Board resolves that, subject to the approval of the relevant PRC governmental authorities, upon the earlier of the maturity of the Convertible Bonds or their complete conversion into Shares, the total number of Shares issued shall not exceed 10% of the total number of Shares of the Company.
 - The Board resolves that, subject to the approval of the relevant PRC governmental authorities, upon the earlier of the maturity of the Convertible Bonds or their complete conversion into Shares, the total number of Shares issued shall not exceed 10% of the total number of Shares of the Company.
- Meeting procedure:**
 - The Board resolves that the Interim Shareholders' Meeting shall be held by way of written consent. This Notice, together with the attached Ballot, shall be deemed to be notice of the Interim Shareholders' Meeting. Except for this Notice and Ballot, the Board will not send any notification or ballot to Shareholders.
 - The Board resolves that each Shareholder who is entitled to vote on the matters described in section one of this Notice, and send the signed Ballot by mail, fax or in person to the Company at the address set forth below on or before the date specified in the Ballot, shall be deemed to have attended the meeting and to have voted on the matters described in section one of this Notice, and the Company shall be deemed to have received the Ballot and to have counted the votes.
 - The Company and the Board shall be deemed to have received the Ballot and to have counted the votes on the matters described in section one of this Notice, and the Company shall be deemed to have received the Ballot and to have counted the votes on the matters described in section one of this Notice, and the Company shall be deemed to have received the Ballot and to have counted the votes on the matters described in section one of this Notice.

The Board of Directors, Shanghai Tyre & Rubber Co., Ltd.
Shanghai Tyre & Rubber Co., Ltd., 63 Si Chuan Road Mid, Shanghai 200002, People's Republic of China

BALLOT
Interim Shareholders' Meeting

Name of Shareholder: _____ Shareholder Account No: _____ Tel: _____
Address of Shareholder: _____ Number of Shares held: _____ Fax: _____
Vote: A. To authorize the issue and sale of Convertible Bonds as set forth in the Notice of Interim Shareholders' Meeting: For ☐ Against ☐

B. To waive preemptive rights in respect of the issue and sale of Convertible Bonds as set forth in the Notice of Interim Shareholders' Meeting: For ☐ Against ☐

Signature: _____
First responses to all ballots above except for the signature: _____

SWEDBANK (Sparebankernas Bank)

US\$100,000,000
Subordinated floating rate notes due 2002

Notes will bear interest at 6.20% per annum from 30 December 1994 to 30 June 1995. Interest payable on 30 June 1995 per US\$100,000 note will amount to US\$414.56.

Agent: Morgan Guaranty Trust Company
JPMorgan

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Banca di Roma S.p.A.

US\$200,000,000
Floating rate subordinated loan participation certificates due 2001

Issued by J.P. Morgan GmbH for the purpose of making a subordinated loan to Foreign Branches of Banca di Roma.

The rate of interest for the period 30 December 1994 to 30 June 1995 has been fixed at 7.03% per annum. Interest payable on 30 June 1995 will amount to US\$1,777.03 per US\$100,000 certificate and US\$17,770.28 per US\$1,000,000 certificate.

Agent: Morgan Guaranty Trust Company
JPMorgan

DEN DANSKE BANK

US\$100,000,000
Subordinated floating rate notes due 2000

Issued by the Bank of Denmark (Danmarks Nationalbank A/S) in accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 30 December 1994 to 30 June 1995 the notes will carry an interest rate of 7.0625% per annum. The interest payable on the relevant interest payment date, 30 June 1995 will amount to US\$357.05 per US\$100,000 note and US\$3,570.52 per US\$1,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Britannia Building Society

£150,000,000
Floating rate notes 1997

For the period 28 December 1994 to 24 March 1995 the notes will bear interest at 6.65042% per annum. Interest payable on the relevant interest payment date 24 March 1995 will amount to £155.93 per £100,000 note and £1,559.30 per £1,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. \$300,000,000

Bank of Greece
Athens, Greece
Floating Rate Notes Due 1996

Interest Rate: 7.3025% per annum
Interest Period: 30th June 1995
Interest Amount: \$21,907,500
US \$1,708.13

CS First Boston Agent

U.S. \$100,000,000

Floating Rate Subordinated Loan Participation Certificates due 2000

Issued by The Niklos Securities Co. (Deutschland) GmbH for the purpose of funding and maintaining a subordinated loan to

The Ashikaga Bank, Ltd.

Notice is hereby given that for the three month interest period from 30th December 1994 to 30th March 1995 the Certificates will carry a Coupon Rate of 6.88% per annum. Coupon payable on 30th March 1995 will amount to U.S. \$1,701.53 per U.S. \$100,000 Certificate.

The Mitsubishi Bank, Limited
London Branch
As Agent Bank

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CITICORP

U.S. \$350,000,000
Subordinated Floating Rate Notes Due November 27, 2005

Notice is hereby given that the Rate of Interest has been fixed at 6.225% in respect of the Original Notes and 6.3125% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date January 31, 1995 against Coupon No. 110 in respect of US\$10,000 nominal of the Notes will be US\$55.33 in respect of the Original Notes and US\$55.11 in respect of the Enhancement Notes.

U.S. \$500,000,000
Subordinated Floating Rate Notes Due October 26, 2005

Notice is hereby given that the Rate of Interest has been fixed at 6.225% and that the interest payable on the relevant Interest Payment Date January 31, 1995 against Coupon No. 111 in respect of US\$10,000 nominal of the Notes will be US\$55.33.

U.S. \$500,000,000
Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 6.22% and that the interest payable on the relevant Interest Payment Date March 31, 1995 against Coupon No. 20 in respect of US\$10,000 nominal of the Notes will be US\$55.11.

December 30, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

TSB GROUP PLC

(Incorporated in Scotland with limited liability, registered number 55000)

£100,000,000 Perpetual Floating Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 7.075% and that the interest payable on the relevant Interest Payment Date March 31, 1995 against Coupon No. 20 in respect of £10,000 nominal amount of Notes will be £176.39.

December 30, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

CITICORP

U.S. \$150,000,000
Subordinated Floating Rate Notes Due September 2005

Notice is hereby given that the Rate of Interest for the period December 30, 1994, to March 30, 1995 has been fixed at 6.225% and that the interest payable on the relevant Interest Payment Date March 30, 1995, against Coupon No. 4 in respect of US\$5,000 nominal of the Notes will be US\$78.13 and in respect of US\$100,000 nominal of the Notes will be US\$1,562.50.

December 30, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

U.S. \$300,000,000

Bank of Greece
Athens, Greece
Floating Rate Notes Due 1996

Interest Rate: 7.3025% per annum
Interest Period: 30th June 1995
Interest Amount: \$21,907,500
US \$1,708.13

CS First Boston Agent

PHILLIP ALEXANDER

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The Republic of Italy

US \$300,000,000
Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the interest amounts payable on the next Interest Payment Date 31st January, 1995 will be US \$312.65 for each US \$10,000 Note and US \$7,816.40 for each US \$250,000 Note.

Agent Bank
Bank of America International Limited
30th December, 1994

United Kingdom

U.S. \$4,000,000,000
Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 30th December, 1994, to 30th March, 1995, the Notes will bear interest at the rate of 6 1/4 per cent per annum. Coupon No. 34 will therefore be payable on 30th March, 1995, at the rate of US\$7,125.00 from Notes of US\$500,000 nominal and US\$1,425.00 from Notes of US\$100,000 nominal.

S.G. Warburg & Co. Ltd.
Agent Bank

U.S. \$100,000,000

Floating Rate Subordinated Loan Participation Certificates due 2000

Issued by The Niklos Securities Co. (Deutschland) GmbH for the purpose of funding and maintaining a subordinated loan to

The Ashikaga Bank, Ltd.

Notice is hereby given that for the three month interest period from 30th December 1994 to 30th March 1995 the Certificates will carry a Coupon Rate of 6.88% per annum. Coupon payable on 30th March 1995 will amount to U.S. \$1,701.53 per U.S. \$100,000 Certificate.

The Mitsubishi Bank, Limited
London Branch
As Agent Bank

U.S. \$100,000,000

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The Mitsubishi Bank, Limited
London Branch
As Agent Bank

U.S. \$100,000,000

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London Branch
As Agent Bank

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The Mitsubishi Bank, Limited
London Branch
As Agent Bank

U.S. \$100,000,000

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The Mitsubishi Bank, Limited
London Branch
As Agent Bank

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The Mitsubishi Bank, Limited
London Branch
As Agent Bank

U.S. \$100,000,000

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The Mitsubishi Bank, Limited
London Branch
As Agent Bank

150 و 100

RJB ends 48 years of nationalised coal

By Peggy Holfinger

The age of the nationalised coal industry came to an end this morning, almost 48 years to the day after the government first took control of Britain's collieries.

At one minute past midnight, RJB Mining became the owner of by far the largest part of British Coal: its 15 operational English mines.

The deal will make Mr. Richard Budge, RJB's chief executive who has been criticised for the assumptions used to back his company's bid price, some £1000 richer. His contract allows for this bonus to be paid on completion of the deal, as well as further profit performance payments of up to 100 per cent of his basic £250,000.

RJB's shareholders approved the takeover at an uneventful and sparsely attended EGM in London yesterday. Investors have already put up £400m towards the £815m purchase price; the balance will be funded with debt.

Mr Budge said he had no plans for substantial changes to the mines or to the employment conditions of the 7,100 miners he was taking on. Previous management had already got the business "down to the operational levels it should be at", he said. Furthermore, the enlarged company would be able to cut 5 per cent from British Coal's operating costs almost immediately.

British Coal's Scottish assets



Richard Budge (left) with Bill Rowell, director of deep mining

were transferred yesterday to Mining (Scotland) for £40m. Celtic Energy, which is purchasing the Welsh mines, is expected to conclude the transfer today, leaving British Coal with only non-mining assets to unwind. The deal ends a five-year journey to privatisation.

The National Coal Board was set up on January 1 1947 to own and operate Britain's mines as an early part of the incoming Labour Party's programme to nationalise basic industries. It was a Conservative government under Mrs Margaret Thatcher which decided in 1989 to reverse the process.

Memories of the bitter min-

ers' strike of 1984 - and public sympathy for the mining communities - were still vivid when the government announced the wholesale closure of 31 of its 50 pits in advance of privatisation. The justification was that demand had dropped substantially and productivity improved, leaving little other option. Public outcry forced a compromise with the immediate closure of just 10 mines.

In the end British Coal closed 94 pits, some of which have since been reopened by private operators, including Mr Budge. Sixteen operating pits are being transferred to private ownership today.

Banco Bilbao Vizcaya edged out in bid for Spain's mobile telephony system

Santander snatches cellular phone licence

By Tom Burns in Madrid

Banco Santander has delivered a second blow to Banco Bilbao Vizcaya, its chief domestic banking rival, in a little over six months.

In late April it beat BBV in a public auction to acquire Banco Español de Crédito Banco, and now a Santander-backed consortium has edged a BBV-led group out of the contest to develop a nationwide mobile telephony system.

The result of the contest for Spain's second GSM (global system of mobile communications) licence the first is reserved for the government's Telefonica also saw AirTouch, the US cellular operator, and British Telecommunications, the technological partners of the winning Airtel-ASR consortium, defeat the UK's Vodafone, part of BBV's competing group.

BBV's humiliation is considerable. In addition to Santander, Airtel counts among its

main shareholders Banco Central Hispano, a second big bank competitor and one that had stood aside from the Banco bidding process.

Determined not to be thwarted a second time, BBV's Cometa-SRM consortium had made a bigger cash bid for the cellular licence, offering Ptas8bn (£432m) against the Ptas5bn (£265m) from Santander and its fellow Airtel shareholders. In April Santander took the Banco prize when its sealed bid offered Ptas762 per Banco share against BBV's Ptas657.

With its acquisition of Banco, Santander put itself ahead of BBV in the size of its branch network and in the volume of deposits, mutual funds and loans to become the largest domestic banking group. BBV, which has traditionally maintained a high industrial investment profile, had sought to even the score by taking on the mobile telephony business. In the event, the cash offer by BBV and its fellow Cometa

partners was not enough to obtain the GSM licence. The competing consortia were also required to make a series of undertakings covering industrial investment, job creation and research and development, and the bids were awarded points under a complex adjudication system drawn up by the government and Lehman Brothers, the US bank.

Full details of the two bids to develop what represents one of the largest single investment projects to date in Spain will be released to parliament next month but Mr José Borrell, the telecommunications minister, said Airtel's bid had totalled 447.30 points out of a possible 600 against Cometa's 432.67.

Mr Juan Berberena, banking analyst at AB Aseores, the Madrid securities house, said BBV's failure to win the GSM licence was "a psychological blow" that weakened its image but added that its defeat could turn out to be a blessing in disguise. "The GSM business is

potentially very profitable but it represents a huge investment effort which will have to wait three to five years to see any returns," he said. "BBV was making a very large bet and carrying a very big implicit risk."

A key difference between the two competing consortia was that Cometa's financial burden was squarely placed on BBV, which had a 29.8 per cent stake in the consortium, as well as on Vodafone, which had a stake of 23 per cent, whereas the equity at Airtel is more widely distributed.

Santander has only 13.5 per cent of Airtel and it has syndicated this equity to a 13.5 per cent shareholding in the consortium owned by BCH. Airtel's spread of financial backers is further increased by a 16.7 per cent stake that is jointly held by a group of five regional savings banks.

Analysts say Airtel's financial partners will stand in good stead as it embarks on

investments that could total Ptas200bn. Under the terms of the tender the consortium has to provide GSM's pan-European digital network to all towns of more than 10,000 inhabitants within five years.

The Spanish licence rounds off an acquisitive year for Airtel, which has a 16 per cent stake in Airtel (BT has 7 per cent) and will be its dominant technological partner. The US operator entered the cellular markets in Germany, Portugal and Sweden in 1992 and those of Belgium, Italy and Spain this year.

Airtel will share with Telefonica a Spanish GSM market forecast to have 2m users and a turnover of Ptas200bn by 1998. "Telefonica will have to beef up its marketing - in Airtel and BT it will be facing two experienced and tough competitors in the cellular environment," said Mr Jonathan Lee, telecommunications analyst at James Capel, the London broker.

Compensation for Brockbank underwriter

Shareholders in Brockbank, the Lloyd's managing agency, are expected today to approve payment to the group's lead underwriter of £1.55m compensation plus 500,000 new shares for cancelling a profit-sharing deal, writes Ralph Atkins.

The package is being offered to Mr Mark Brockbank as the group seeks shareholder approval to demerge its Lloyd's members' agency interests. Some of the companies concerned face legal claims by loss-making Names.

Under the original contract, Mr Brockbank, who owns about 18 per cent of the group, received 15 per cent of the net profit commission retained by the managing agencies. Brockbank said it now wanted to set up a new bonus pool for key staff.

Brockbank's shares, which trade under Rule 4.3, currently stand at about 200p.

Jardine sets sail for Singapore

The Hong Kong market is losing two of its oldest listings. Louise Lucas and Simon Holberton report

Hong Kong's stock market today loses two of its biggest and oldest listings, Jardine Matheson and Jardine Strategic Holdings.

Up to 85 per cent of trading in Jardine Matheson stock has passed through the Hong Kong stock exchange, with London absorbing the remainder.

Jardine, listed in Hong Kong in 1961, hopes the share trading in Hong Kong will shift to Singapore, where the company has arranged to facilitate it. If the arrangements work - including paying the cost

shareholders incur in moving share registration from Hong Kong to Singapore - the transfer of trading will have a big impact on the Singapore bourse.

Jardine Fleming Securities, the brokerage owned equally by Jardine Matheson and Robert Fleming, the UK merchant bank, estimates Jardine Matheson will be the fourth biggest stock in Singapore by market capitalisation and the second most liquid stock.

The defection of Jardine Matheson, which accounts for about 1.65 per cent of the stock market's capitalisation, and Jardine Strategic, the investment arm, which is also the linchpin in a protective cross-holding with Jardine Matheson, is the culmination of a decade-long tussle with the colony's securities regulators.

In spite of protests from Jardine directors, it has also been seen as a vote of no confidence in the post-1997 future of Hong Kong.

The saga began on March 28 1984, when the group said it was moving its domicile from Hong Kong to Bermuda.

Jardine thought this would put it beyond the reach of Hong Kong regulators. The creation of the Securities and Futures Commission following the 1987 stock market crash changed that. The SFC's power

to regulate the company - especially in takeovers - prompted it to seek other ways to avoid Hong Kong regulation.

This included moving the primary stock exchange listing to London in 1991, and then, in 1993, getting the authorities in Bermuda to enact a takeovers code - based on London's - that applied only to the Jardine group.

An attempt this spring to persuade the Hong Kong government to accept the latest "Bermuda solution" fell at the first hurdle.

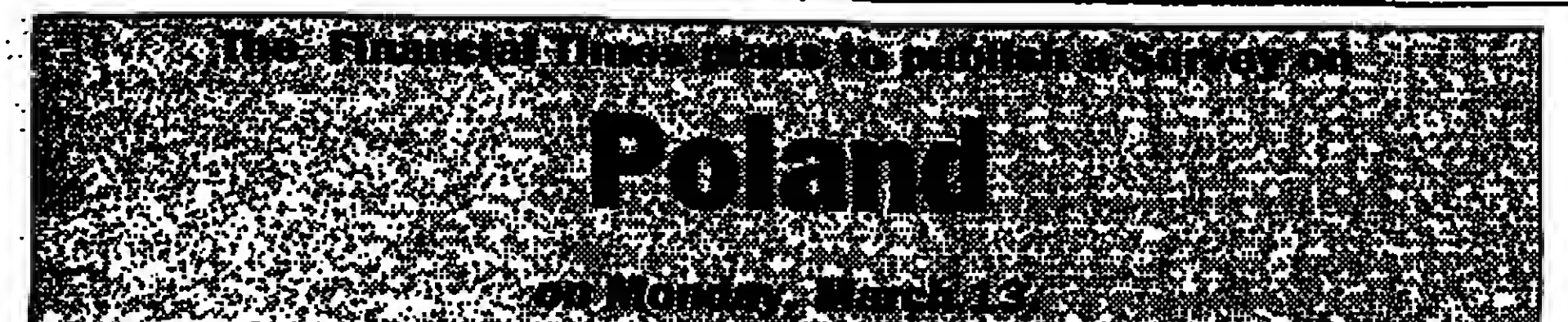
Ironically, the SFC still claims the power to regulate the company. Its powers extend to companies whose principle business and management is in Hong Kong. About 60 per cent of Jardine Matheson's earnings came from Hong Kong and China in 1993 which will remain the principal

source of earnings in the medium term.

The SFC took comfort from a decision this month by the FT Actuarial World Indices policy committee to retain the Jardine group in the Hong Kong section of the FT-AWI indices. Morgan Stanley took a different view.

This month, Morgan Stanley Capital International restructured its Hong Kong index to reflect the delisting of the Jardine group by deleting Jardine Matheson, Dairy Farm, a worldwide retailer, Hongkong Land, the property investment company which has a stake in Trafalgar House, and Mandarin Oriental, the hotels group.

Jardine Matheson directors estimate 80 per cent of its stock is held by overseas institutions, the vast majority of whom will not be obliged to sell their holdings.




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Additional Interest Statement

The Walt Disney Company

U.S. \$400,000,000

Senior Participating Notes Due 1999

☒ Quarterly Statement

for the period from July 1 to September 30, 1994 (the "Period")

☐ Semiannual Statement

for the period from February 28, 1994 to August 31, 1994 (the "Period")

☐ Annual Statement

for the period from September 1, 1993 to August 31, 1994 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of each descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department; telephone: (212) 412-6214. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "N" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:

a. For the Period:

NA

b. From the Issue Date through and of Period:

A Muppet Christmas Carol
The Care Bears
The Adventures of Huck Finn
Indian Summer
Gully As Sin
Life With Mikey
What's Love Got To Do With It
Son-In-Law
Hocus Pocus
Another Statement
My Bonifant's Back
Father Hood
Joy Luck Club
Money For Nothing
Coal Country
Three Musketeers
Slater Act II
Calvin Boy
Iron Wolf

2. Names of short subjects to which any portion of Total Revenues has been allocated:

a. For the Period:

NA

b. From the Issue Date through and of Period:

NA

3. Aggregate Negative Costs of Eligible Films in the Portfolio

For the Period:

\$322,000

From the Issue Date through and of Period:

\$437,667,000

4. The Portfolio Amount

For the Period:

\$0

From the Issue Date through and of Period:

\$400,000,000

5. Aggregate Domestic Theatrical Revenues of Eligible Films in the Portfolio

For the Period:

\$736,857

From the Issue Date through and of Period:

\$193,656,857

6. Calculation of Contingent Interest:

Total Revenues

\$105,921,517

\$820,219,220

Distribution Fees

(18,538,268)

(108,538,364)

Estimated Third Party Participation Payments*

(5,296,076)

(31,010,891)

Residuals

(4,432,712)

(5,246,129)

Short Subject Revenues

0

0

Eligible Film Revenues

\$77,654,463

\$474,423,766

Base Amount

0

\$800,000,000

Eligible Film Revenues in Excess of Base Amount

0

0

Contingent Interest

0

0

7. Contingent Interest paid per \$1,000 principal of Notes

For the Period:

\$0

From the Issue Date through and of Period:

\$0

8. Domestic Theatrical Revenues of Eligible Films in the Portfolio are adjusted for a pro rata basis in the same manner as Eligible Film Revenues are provided pursuant to the Notes.

9. Actual Third Party Participation Payments are used with respect to the Final Interest Payment.

10. Supplemental Interest

For the Period:

NA

From the Issue Date through and of Period:

NA

11. Provisional Interest

For the Period:

NA

From the Issue Date through and of Period:

NA

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☒ No Default.


☐ Yes: Description:

The Walt Disney Company

By: Edward M. Pallas

Title: Director of Corporate Finance

This announcement appears as a matter of record only



The Bangkok Bank of Commerce Public Company Limited

US\$90,000,000

Floating Rate Notes due 2000

Arrangers / Managers

Burgan Bank (S.A.K.) Kuwait

KEB (Asia) Finance Limited

Korea First Finance Limited

L.R.C. Far East Ltd / London Forfaiting Company PLC

Sanwa International Finance Limited

Standard Chartered Asia Limited

Sumitomo Finance (Asia) Limited

Fiscal and Paying Agent

London Forfaiting Asia Limited

Issue Co-ordinator

L.F.C. Far East Ltd

December 1994

INTERNATIONAL COMPANIES & CAPITAL MARKETS

NEWS DIGEST

Finland gives the go-ahead for Neste flotation

The Finnish government yesterday gave the go-ahead for a share issue by Neste, the state-owned oil and petrochemicals group, which is likely to be Finland's largest privatisation to date, writes Hugh Carnegie in Stockholm.

As the 97 per cent shareholder in Neste, the government's approval was the vital factor in a special shareholders' meeting held to approve the company's plans to issue for subscription during 1995 a maximum of 18m new shares, equivalent to a 20 per cent stake in the group.

Some estimates have valued Neste, which had sales of Fmk30bn in the first eight months of the year, at Fmk10bn (£2.09bn).

Oriental Press earnings slip 15% in first half

Oriental Press Group, Hong Kong's biggest newspaper publisher, suffered a 15 per cent fall in first-half earnings to HK\$216.6m (US\$28m) from HK\$307.5m a year earlier, writes Simon Holberton in Hong Kong. Turnover rose 13.5 per cent to HK\$315.6m from HK\$277.5m.

An unchanged interim dividend of 10 cents a share is declared.

The company said all its businesses had put in a good first half, suggesting most of the problems came from its new English-language daily, Eastern Express, which continued to suffer large losses.

Mr Ma Ching Kwan, Oriental's chairman, hoped break-even would soon be reached and that "the paper will become a channel for the group to enter into the competitive international media market".

Valeo, Siemens link in automotive components

Valeo of France and Siemens of Germany are to merge their operations in the growing market for automotive heating and air conditioning systems, writes Kevin Done, Motor Industry Correspondent.

The venture is a significant move in the restructuring of the European automotive components sector, creating an alliance between two of the industry's leaders.

Valeo, the leading French automotive com-

ponents maker, planned to take an initial 75 per cent stake in the venture, which would integrate the heating and air conditioning systems activities of the two companies. Siemens will have an option to increase its stake to 30 per cent.

The venture, which is expected to have annual sales of about FF4.2bn (\$772.3m), should begin operations in the first quarter of 1995.

In a related deal, Siemens is to take a 70 per cent stake in Valeo's electric motors business for climate control applications.

Nestlé's US takeover cleared by the FTC

The US Federal Trade Commission has settled charges that the acquisition by Nestlé Food, a unit of Nestlé, the world's largest foods group, of Alpo Pet Foods would end US competition between the two big cat-food makers, Reuter reports from Washington.

The FTC said concerns that a lack of competition would lead to higher prices were resolved when Nestlé agreed to sell its Fort Dodge, Iowa, manufacturing plant to another company that would operate it in competition with Nestlé.

The Glendale, California, unit of the Swiss company plans to buy Alpo, a subsidiary of Grand Metropolitan of the UK, for \$10m.

Unilever in deal with Indian ice cream group

Unilever, the Anglo-Dutch conglomerate, has linked with the Kwality Icecream group, India's largest ice cream manufacturer, to produce and market ice cream under the Kwality Wall's brand name, writes Shiraz Sidhva in New Delhi.

The agreement, signed by Brooke Bond Lipton India, a Unilever subsidiary, and three of four families which own Kwality, is part of Unilever's strategy to enter India's growing food processing industry.

The three parties to the deal, which cover two-thirds of the country and account for 85 per cent of the national volume sold by the Kwality group, will make ice cream for Brooke Bond, which will market the product.

Brooke Bond Lipton India, which has a substantial presence in the country, took over the Dollys ice cream business and marketing system from Cadbury India, before launching Wall's, the international ice cream brand, in India early this year.

Gilts fall as traders switch into bunds

By Martin Brice in London and Lisa Branstetter in New York

UK government bond prices fell almost 2 points yesterday after investors switched out of gilts into bunds.

One trader attributed the volatility to the thin volume of trading. The December long gilt future fell 1 1/2 to around 100 1/2 in late trading, and the spread over bunds widened.

GOVERNMENT BONDS

out to about 123, from 105 in the morning.

There were market rumours that US hedge funds had placed large sell orders yesterday.

Talk that gilts had fallen on increased worries over inflation after prime minister Mr John Major had promised tax cuts was dismissed.

US Treasury prices were mostly flat yesterday morning as the dollar bounced back from Wednesday's lows.

At midday, the 30-year government bond was down 3/4 at 96 1/2, yielding 7.534 per cent. At the short end of the market, the two-year note fell 1/4 at 98 1/2, yielding 7.707 per cent.

Commerce department data showed the index of leading economic indicators up 0.3 per cent for November, slightly above most economists' projections.

Bond prices had support from a rising dollar.

German government bonds slipped in line with Treasury, and the March bund futures contract on Liffe fell by around 0.96 on the day to 88.79 in late trading.

A fall in bund yields is expected in 1995, writes Conner Middelmann

Germany heads for calmer waters



OUTLOOK 95

After a stormy year, German government bonds are likely to enter calmer waters in 1995. However, the new year will not be all plain sailing, with economic expansion gathering speed and expectations of interest rate increases growing. Indeed, although most market analysts expect a decline in bund yields during the year, many expect them to be little changed at the end of 1995 from their current levels.

German government bonds, or bunds, began 1994 in a buoyant mood, boosted by hopes of further interest rate cuts which had underpinned the market throughout 1993. Amidst this climate of optimism, the yield on the benchmark 10-year bund reached its lowest point at 5.5 per cent in early January.

Then things turned sour. First, the US Federal Reserve raised interest rates in February, fuelling fears of inflation and monetary tightening even in those countries whose economies were clearly behind the US cycle.

This was followed by a rapid unwinding of speculative positions by leveraged bond market players, most of whom had bet on a continuation of the previous year's bull run.

In Germany, alarming money supply numbers - with January M3 data, released on March 2, showing a growth rate of 20.8 per cent - sent further shudders through the market on fears that far from continuing its rate-cutting campaign, the Bundesbank would start raising rates.

By early October, the yield on the 10-year benchmark reached its year-high of 7.77 per cent.

Although bunds recovered

some of their losses in the final months of the year, helped by a more stable US Treasury market and a resumption of bond purchases by domestic retail and institutional investors, they remain vulnerable to weakness in the US market and fears of reviving inflationary pressures.

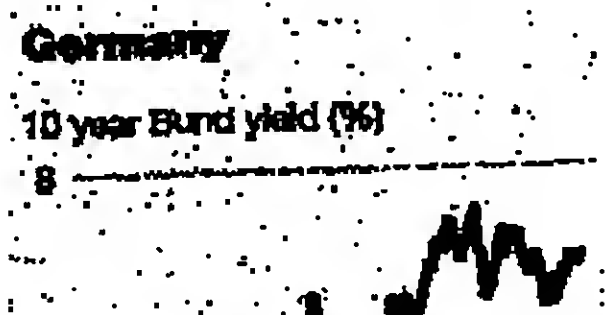
While Bundesbank officials have been emitting a stream of cryptic statements indicating that they are keeping their options open on the future direction of monetary policy, most observers now feel that, although both inflation and M3 money supply growth are near or at the Bundesbank's stated targets, the only way for German official interest rates is up.

"In the face of stronger 1994 growth and the higher inflation risk in 1995 and 1996 associated with that growth, we now feel that there is no scope for monetary policy, but rather a case for headline rates further in this cycle," said Mr Richard Reid, chief economist at UBS in Frankfurt.

Inflation in December stood at 2.7 per cent, compared with the central bank's 2 per cent goal, and M3 in November fell to 6 per cent, the top of its 4-6 per cent target range. But although inflation is expected to decline further in the first half of 1995 - helped by a substantial base effect improvement in January - and M3 may remain in its target range after overshooting it for most of the last three years, there is evidence to suggest that inflation pressures are rising.

"The output gap is virtually closed, capacity utilisation and pipeline inflation measures are rising and economic growth is strong," warn analysts at IBI International.

Moreover, recent positive M3 numbers should be taken with a pinch of salt, distorted as they are by Ger-



10-year Bund yield (%)

Source: Deutscher

many's new money market funds. Some DM15.5m has flowed into these funds between August and November, if this money had remained in the banking system, November M3 would have been around 6.9 per cent, rather than the reported 6 per cent.

However, while few expect another cut in official rates, many say the first increase may not materialise until the second half - and some say the final quarter - of the year.

"The picture is of sustained but not runaway growth," argues Mr Reid.

"We feel the market's expectation of imminent and extensive rate rises is too pessimistic."

Early in the year, the 1995 wage round may prompt market jitters and fears that the Bundesbank could fire a pre-emptive monetary "warning shot". However, most expect the wage round to be relatively smooth, with trade unions' concerns about unemployment and employers' continued drive to cut costs indicating wage settlements of around 3 per cent.

On the fiscal front, bunds are likely to derive support from continued budget consoli-

dation, helped by the rise in tax revenues resulting from economic recovery and the reduction in transfer payments by the federal government to the eastern German states.

The federal budget deficit is projected at some DM58bn in 1995, little changed from this year.

Mr Rüdiger Teuscher at Deutsche Bank Research in Frankfurt estimates that Germany's total public-sector deficit will amount to DM107bn, or 3 per cent of gross domestic product, in 1995. That compares with DM142bn (4.3 per cent of GDP) in 1994 and DM179bn (5.8 per cent of GDP) in 1993.

Meanwhile, politics could act as a sporadic irritant for the market. Although Chancellor Helmut Kohl won his fourth election last October, his majority in the upper house of parliament is sharply reduced and rifts in his fragile centre-right coalition could unsettle the market.

However, bunds - often seen as Europe's "safe haven" - could benefit from political uncertainty in other European countries, such as France, Italy, Spain and the UK, where imminent elections or political upheaval may scare bond investors away.

Most forecasters expect the German yield curve to flatten substantially next year. Ten-year bunds are seen trading in a rough range of 7.25-7.75 per cent, to end the year around 7.5 per cent (up from 7.65 per cent at present), while three-month bunds are seen rising to around 6.65 per cent by year-end (up from 5.30 per cent currently).

"It will be largely a year of consolidation," says one senior bond dealer in Frankfurt. "After being overbought in 1993 and oversold in 1994, bunds could do with a period of relative calm."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Rate	Price	Yield	Work	Month
Australia	6.500	99.04	93.8500	-0.080	10.00
Belgium	7.750	100.04	95.8800	-0.530	8.41
Canada	5.000	120.04	95.3500	-0.700	8.10
Denmark	8.000	120.04	95.3500	-0.700	8.10
France	5.000	05/96	100.3800	-0.200	7.89
Germany	7.500	04/05	94.8900	-0.850	8.24
Italy	7.500	05/04	90.4400	-0.480	11.99
Japan	4.500	08/99	103.8400	-	3.85
Netherlands	4.100	12/03	97.1300	-0.050	4.54
Spain	7.250	10/04	95.2900	-0.280	7.80
UK Gilt	6.000	02/05	97.7800	-0.980	11.26
US Treasury	6.000	08/99	99.28	-0.722	8.70
EU (French Govt)	7.500	11/04	100.14	-14.52	7.81
EU (German Govt)	7.500	11/04	100.14	-14.52	7.81

US INTEREST RATES

Rate	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year
Prime rate	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Fed funds rate	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Discount rate	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2

BOND FUTURES AND OPTIONS

France

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	110.95	110.44	-0.54	111.04	110.42	53,431
Jun	110.35	109.84	-0.52	110.36	109.84	542
Sep	109.75	109.25	-0.52	109.76	109.25	2

LONG TERM FRENCH BOND OPTIONS (MATF)

Strike	Call	Put	Call	Put	Call	Put
110	1.00	1.00	1.00	1.00	1.00	1.00
111	0.70	0.70	0.70	0.70	0.70	0.70
112	0.41	0.41	0.41	0.41	0.41	0.41
113	0.22	0.22	0.22	0.22	0.22	0.22
114	0.02	0.02	0.02	0.02	0.02	0.02

Germany

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.80	99.80	-1.05	99.70	99.75	6,000
Jun	99.80	99.80	-1.05	99.70	99.75	0

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike	Call	Put	Call	Put	Call	Put
99.80	0.72	0.72	0.72	0.72	0.72	0.72
99.80	0.46	0.46	0.46	0.46	0.46	0.46
99.80	0.26	0.26	0.26	0.26	0.26	0.26

Italy

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.70	99.70	-0.52	99.70	99.70	1,129
Jun	99.70	99.70	-0.52	99.70	99.70	0

EURO BOND FUTURES (MATF)

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	81.04	80.50	-0.76	81.10	80.50	0,056
Jun	81.04	80.50	-0.76	81.10	80.50	0

US

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.15	99.15	-0.02	99.15	99.15	140,371
Jun	99.15	99.15	-0.02	99.15	99.15	340,381

UK

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.15	99.15	-0.02	99.15	99.15	140,371
Jun	99.15	99.15	-0.02	99.15	99.15	340,381

Japan

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	108.72	108.72	-0.02	108.72	108.72	589
Jun	108.72	108.72	-0.02	108.72	108.72	0

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100% of 100%

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	108.72	108.72	-0.02	108.72	108.72	589
Jun	108.72	108.72	-0.02	108.72	108.72	0

Italy

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.70	99.70	-0.52	99.70	99.70	1,129
Jun	99.70	99.70	-0.52	99.70	99.70	0

ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIFFE) Lira200m 100% of 100%

Strike	Call	Put	Call	Put	Call	Put
99.70	1.22	1.22	1.22	1.22	1.22	1.22
99.70	0.82	0.82	0.82	0.82	0.82	0.82
99.70	0.42	0.42	0.42	0.42	0.42	0.42

Spain

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	84.24	84.24	-0.01	84.33	84.11	24,383
Jun	84.24	84.24	-0.01	84.33	84.11	42,547

NOTIONAL SPANISH BOND FUTURES (MATF)

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	84.24	84.24	-0.01	84.33	84.11	24,383
Jun	84.24	84.24	-0.01	84.33	84.11	42,547

UK

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	102.10	102.10	-1.31	102.10	102.10	28,407
Jun	102.10	102.10	-1.31	102.10	102.10	0

NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100%

Strike	Call	Put	Call	Put	Call	Put
102.10	1.30	1.30	1.30	1.30	1.30	1.30
102.10	0.90	0.90	0.90	0.90	0.90	0.90
102.10	0.50	0.50	0.50	0.50	0.50	0.50

EURO BOND FUTURES (MATF)

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	81.04	80.50	-0.76	81.10	80.50	0,056
Jun	81.04	80.50	-0.76	81.10	80.50	0

US

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	99.15	99.15	-0.02	99.15	99.15	140,371
Jun	99.15	99.15	-0.02	99.15	99.15	340,381

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Japan

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	108.72	108.72	-0.02	108.72	108.72	589
Jun	108.72	108.72	-0.02	108.72	108.72	0

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100% of 100%

Open	Sett	Change	High	Low	Est. vol.	Open Int.
Mar	108.72	1				

صكنا من الامل



A NEW NAME LEADING TELECOMMUNICATIONS IN ITALY



TELECOM ITALIA was set up on 18 August 1994 through the merging of five companies (SIP, Italcable, Iritel, Telespazio and Sirm) that had until then managed Italian telecommunications separately, and has thus become a global operator in a completely new framework.

TELECOM ITALIA is now the sixth largest telecommunications operator in the world in terms of turnover and one of Europe's prime investors in the sector. It is a joint-stock company with almost 70,000 investors and 18% of its share capital is held by foreign shareholders.

TELECOM ITALIA has a worldwide presence with 18 representative offices with a large number of other corporate entities. It also has a wide-spread commercial network geared to provide, even abroad, a speedy, integrated and innovative answer to the communications requirements of people and companies.

"A sharp decline in financial charges achieved thanks to ongoing economic and financial consolidation is the clear result of a policy based on rational and integrated organization, further strict cost reduction measures and carefully selected large-scale economies in order to become competitive in a free market".
(Francesco Chirichigno)
Managing Director

THE FIRST SIX MONTHS OF TELECOM ITALIA

The figures are in lira	30.06.94	31.12.93*
REVENUES (BILL)	14.276	23.404
ADDED VALUE (BILL)	11.345	18.164
ADDED VALUE / REVENUES (%)	79,5	77,6
GROSS OPERATING MARGIN (BILL)	7.994	12.327
GOM / REVENUES	56	52,7
OPERATING PROFIT (BILL)	3.136	3.796
NET FINANCIAL CHARGES / REVENUES (%)	5,3	9,8
PROFIT BEFORE TAXATION (BILL)	2.175	1.741
INVESTMENTS (BILL)	3.680	7.963

*1993 FIGURES REFER TO MERGED COMPANY SIP

TELECOM ITALIA - Direzione Generale - via Flaminia, 189 - 00196 Roma



PROGETTO GRAFICO PUBBLICITARIO - IACOPINI - BICCARI - ROMA

COMPANY NEWS: UK

Prudential buys 25% of Thai Sethakit Life

By Alison Smith

Prudential Corporation, the UK's largest life insurer, has bought a 24.99 per cent stake in Thai Sethakit Life for about £13m cash, and plans to bid for further shares.

Thai rules do not allow Prudential to acquire a stake of more than 25 per cent in TS Life, and the tender offer will be made jointly with the Khun Gonpot Asvinnichit.

Prudential bought the stake from the Asvinnichit family, which still controls a significant part of the company following the sale of 7.72m shares. The tender offer is expected to begin in February, and will

involve a bid of B65 per share - the same price as recently paid. Prudential is hoping to acquire a further 10 per cent of the company through the joint offer.

At present, TS Life is the second smallest of the 12 Thai insurance companies, with about 0.7 per cent of the market. Prudential believes that in seven years this can be increased to a share of about 7.5 per cent through organic growth, and that the market itself has great capacity for growth. Only about 7 per cent of Thais are insured.

TS Life has set up a working team to decide how to maximise the benefits of the alliance.

It is likely that Prudential will provide TS Life with technical support, international expertise, new product development, computer systems, training, marketing and management skills.

Representatives of the UK insurer are intended to join the TS Life board shortly.

Prudential already has operations in Hong Kong, Singapore and Malaysia. Mr Mick Newmarch, chief executive, has highlighted the opportunities for growth in the Asia Pacific markets, compared with Europe. He believes there will not be a pan-European medium and long-term savings market until after 2000.

Stanhope takes advice on trading

By Ralph Atkins in London and John Riddling in Paris

Stanhope, the property developer headed by Mr Stuart Lipton, was last night still in limbo - a week after its banks decided not to extend its credit facilities.

The group is understood to have taken legal advice about continuing trading, pending the outcome of negotiations with its bankers, advisers and other companies which have proposed rescue schemes.

Stanhope appears to have benefited from the near-shutdown of normal business over the holiday period, which will have reduced outgoings. Some liabilities might also be met from funds held by the company.

The 16 banks, led by Barclays, appear to have taken a sympathetic stance - at least temporarily.

"We are trying to be accommodating while there is a possibility of a solution," said a source close to the talks.

Rescue proposals from British Land, the property investment company, and from PostTel, the post and telecommunications pension fund, were rejected last week by the banks. However, talks with British Land have since reopened.

Separately it emerged that Lord Lyons, France's largest shareholder, has been making talks with possible buyers - including British Land - about the sale of its 20 per cent stake in Forum des Halles, the landmark shopping complex in the centre of Paris.

Union des Assurances de Paris, France's largest insurer which holds 12.5 per cent of Forum des Halles, is considered another possible candidate for the takeover.

Credit Lyons is in the midst of an aggressive asset disposal programme, aimed at strengthening its balance sheet and curbing losses which totalled FF4.9bn (£810m) in 1993 and FF4.5bn for the first half of this year. Industry observers estimated that its 20 per cent stake in Forum des Halles is valued in excess of FF200m.

Tide of interest faces many locks

When Big Ben strikes midnight on December 31, the revellers in Trafalgar Square's fountains will not be the only ones with water on their minds.

January 1 1995, heralds the expiry of the government's "golden share" in nine of the 10 regional water and sewerage companies in England and Wales.

The "golden share" was devised to offer protection from hostile takeovers after privatisation in 1989. Its expiry means the nine could become vulnerable to bids. Welsh Water enjoys legislation providing greater protection.

Takeover talk started bubbling well ahead of the deadline. This month's hostile bid by Trafalgar House for Northern Electric, one of the regional electricity companies, has sent speculative ripples into the water sector.

Investors have reacted to the apparent similarities between the two, such as solid earnings and relatively high dividends. Companies in both sectors also enjoy tax advantages.

Share prices in the water and sewerage groups have risen, after a period of underperformance, in sympathy with the rest of the market. Northern Electric, Southern, South West and Wessex, the four smallest water groups - seen as the most vulnerable - have outperformed the sector by about 3 per cent this month.

Speculation has been heightened by some previous activity in the sector, albeit on a small scale. While the 10 big water and sewerage groups have not changed since privatisation, consolidation has thinned the ranks of the smaller "water only" companies to just 21, from 29 in 1989. The smaller companies have been attractive targets, mainly because they lack the vast spending commitments, linked to sewage treatment, of their larger brethren.

The Trafalgar-Northern battle has shifted the takeover spotlight from the minnows to the bigger fish. "I wouldn't be surprised. I'm positively expecting takeover activity," says Mr Andrew Stone, water industry analyst at Daiwa Research Institute in London.

Many analysts are already trying to pick the bidders and targets. Northumbrian and Wessex top most lists. Northumbrian's small size

Haig Simonian explains why takeover talk in the water industry is tinged with caution

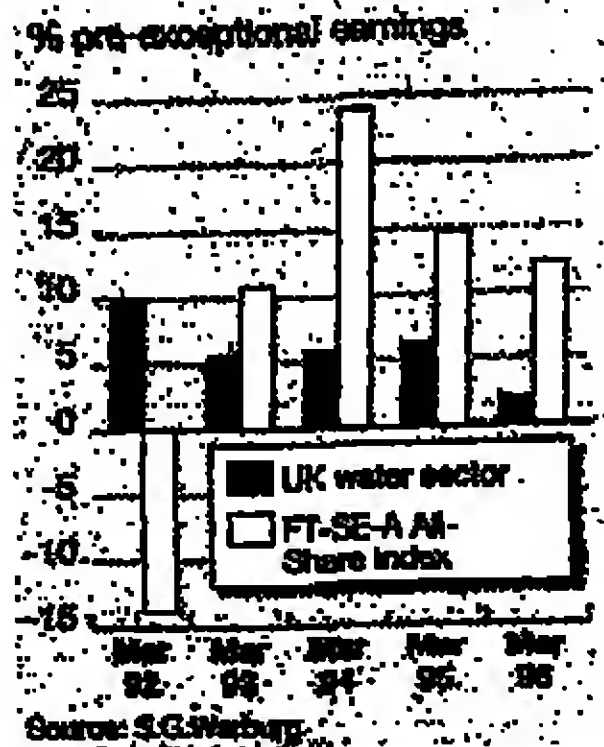
Water sector

Relative to the FT-SE-100 share index



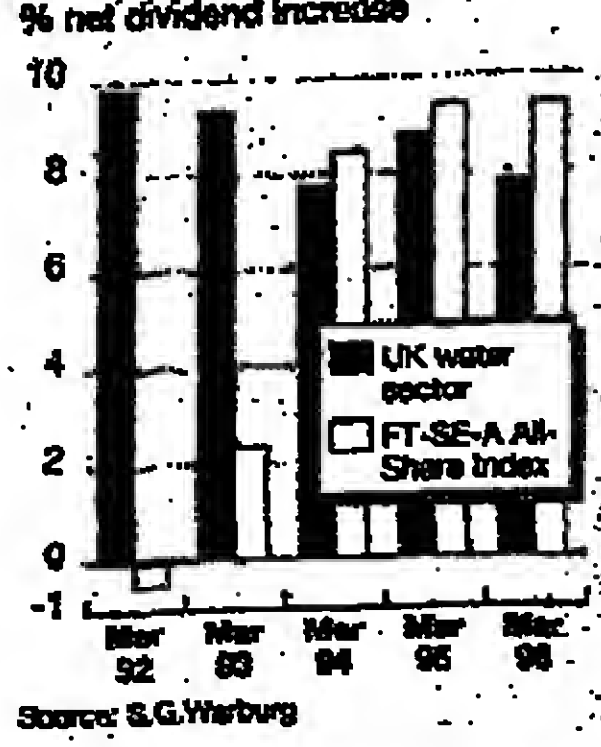
Source: S.G. Warburg

Relative earnings growth



Source: S.G. Warburg

Relative dividend growth



Source: S.G. Warburg

makes it relatively affordable in spite of its high share price. It also stands out for strong earnings, according to Mr Nigel Hawkins, the industry analyst at Hoare Govett. The company's decision to raise its interim dividend by 16 per cent may have been a pre-emptive move to butter up shareholders.

"I don't expect any bids or mergers immediately. Possibly around the end of the decade, or later," reckons Mr Bill Dale, the water industry analyst at S.G. Warburg.

Their scepticism stems from the fact that the similarities between the water and the water companies are superficial.

Many analysts are already trying to pick the bidders and targets. Northumbrian and Wessex top most lists.

Unlike the cash-rich recs, virtually all of the water companies have negative cash flows. Even those, such as Wessex, which have more cash than borrowings, will have to take on debt to finance the investment needed to improve water and waste standards.

Mr Dale predicts that the water companies will spend between £50m and £70m to meet tougher EU environmental rules. Such heavy spending will hold back earnings growth for years to come.

New legislation poses an additional risk. A future Labour government, or the European Commission, could tighten environmental standards further. Many also fear that Labour could impose a windfall profits tax.

Regulatory regimes also differ. Mr Ian Byatt, the water regulator, has kept the industry on a much tighter financial leash than Professor Stephen Littlechild, his opposite num-

ber in electricity. Many analysts believe the recs' fat profits derive largely from a relatively generous regulatory environment. Life in the water sector has been tougher.

A merger or takeover would also face a virtually certain referral to the Monopolies and Mergers Commission.

Mr Byatt has given few clues of his views on deals. However, he has implied he would expect any deal to offer substantial advantages to customers.

Analysts think he would oblige any bidder from within the water industry to pass on most of the expected cost savings to the consumer. That would strongly discourage intra-industry deals and, in any case, the companies are so physically bound to their regions that operational savings would be limited.

That leaves takeovers from outside bidders. The disincentives are strong, however. The bidders would not be able to achieve the immediate cost savings of combining utility businesses, and yet would still have to fund the costly capital spending programme.

Even deals between water and electricity companies would be difficult to justify. There is no strong reason for either grouping to expand into another heavily regulated area.

"The uncertainty in the water sector means it isn't attractive for outsiders," says Mr Dale.

So while investors may be preparing for further shocks among the recs, speculation among the water companies may turn out to be a damp squib.

80% rise in value of M&As

By Tim Burt

The value of mergers and acquisitions in Britain has risen almost 80 per cent in the past 12 months, according to an industry survey published yesterday.

Figures compiled by Acquisitions Monthly, the financial magazine, showed that the total value of public and private takeover bids, along with management buy-outs, rose from £10.5bn last year to £18.6bn in 1994.

Bids for public companies increased sharply from £3bn to

UK PUBLIC AND PRIVATE DEALS 1994

Adviser	No.	Public deals £m	Private deals £m	Total £m
1 S.G. Warburg (1)	10	3,348	28	3,376
2 Schroders (4)	8	2,863	20	2,883
3 Baring Brothers (8)	6	618	17	635
4 Goldman Sachs (2)	3	1,631	10	1,641
5 Samuel Montagu (1)	9	903	15	918
6 Morgan Grenfell (2)	9	1,232	17	1,249
7 Kleinwort Benson (3)	8	819	12	831
8 Robert Fleming (19)	5	2,072	16	2,088
9 Lazard (7)	4	1,398	20	1,418
10 KPMG Corp Fin (8)	1	7	137	144

1993 rankings in brackets. Source: Acquisitions Monthly.

£5.09bn, while the value of private deals almost doubled from £5.72bn to £11.4bn.

Fees earned by merchant banks and accountants advising on these transactions also rose - up from £300m to £320m, although still far behind 1993's record £300m earnings.

Among the banks, S.G. War-

burg emerged as the leading financial adviser for the second successive year, playing a role in deals worth more than £4bn.

Schroders was ranked second after advising on 28 deals worth £3.82bn, and Baring Brothers rose from eighth place last year to third in 1994.

Bass chief's pay increases 17%

By Neil Buckley

Mr Ian Prosser, chairman and chief executive of Bass, the brewing group, enjoyed a 17 per cent rise in total pay last year from £505,000 to £593,000 - twice the rate of increase in group pre-tax profits.

The annual report shows that Mr Prosser's basic salary rose from £440,000 to £448,000, while his bonus jumped from £65,000 to £144,000. Bass said this reflected stronger increases than in the previous

year in both pre-tax profits (8.7 per cent) and earnings per share (10.5 per cent), compared with targets set by the remuneration committee.

Mr Prosser's pension contributions increased from £110,000 to £114,000.

The salary increase made Mr Prosser Bass's highest-paid director. The man who beat him last year was believed to be Mr Bryan Langton, chairman of the Holiday Inn subsidiary, who earned £531,000.

Bass has set out performance

conditions for a new executive share option scheme, which will be voted on by shareholders at the annual meeting on February 2.

The first options will not be exercisable unless group earnings per share over three years increase by at least 3.03 percentage points above retail price inflation.

This is Bass's second reform in corporate governance this year, after moving its directors from three to two-year rolling contracts in October.

PAN-HOLDING

Société Anonyme - Luxembourg
R.C. Luxembourg B 7.023

The Extraordinary General Meeting of Shareholders held on December 28, 1994 has adopted all the resolutions proposed on its agenda and has, among others, changed the status of the Company into that of an investment company subject to the Law of March 30, 1988.

It has reduced the par value of each share from US\$200 to US\$100, split the shares in the proportion of two new shares for one existing share and has further reduced the nominal value of each share from US\$100 to US\$50 per share. The issued share capital amounts now to US\$5,000,000 represented by 1,000,000 shares of a nominal value of US\$50 each. The authorised share capital amounts to US\$70,000,000 represented by 1,400,000 shares of a nominal value of US\$50 each per share. Following the resolutions adopted by the Meeting, the Extraordinary Reserve account amounts to US\$168,246,206.

Shareholders are informed that the old bearer shares shall be stamped and that one additional share shall be delivered against presentation of coupon Nr 60 affixed to the bearer shares.

An inscription in the share register shall record the decisions taken by the Extraordinary General Meeting.

The Company shall reprint in the course of the first quarter 1995 all the share certificates. Shareholders shall be duly informed when the old certificates will be exchanged against new share certificates.

Shareholders have the option:

- to present their bearer share certificates, with the coupon Nr 60 affixed thereto, from January 12, 1995 onwards, for stamping and delivery of one additional share, or
- to receive two new certificates for one old certificate, with the coupon Nr 60 affixed thereto, at the time of the exchange of the certificates contemplated to take place during the first quarter 1995,

and may for that purpose contact the following banking institutions:

BANQUE GENERALE DU LUXEMBOURG,
Principal bank in charge of the operation,
27 AVENUE MONTELEY
L-2163 LUXEMBOURG

CREDIT LYONNAIS
CENTRE ADMINISTRATIF
VALEURS ETRANGERES
DEPOT FRANCE 4730
OPERATIONS SUR TITRES
10-14 CHEMIN DU THON
F- 28010 VALENCE CEDEX

BANQUE DEGRIOFF
44 RUE DE L'INDUSTRIE
B- 1040 BRUXELLES

SOCIETE DE BANQUE SUISSE
CASE POSTALE
CH- 8010 ZURICH

MIDLAND SECURITIES SERVICES
CLIENT DELIVERY
MIDLAND BANK PLC
MARINER HOUSE
PEPYS STREET
GB- LONDON EC3N 4DA

THE CHASE MANHATTAN BANK
CORPORATE TRUST OFFICER
COUPON PAYING DEPARTMENT
14TH FLOOR
1, NEW YORK PLAZA
USA- NEW YORK, NY 1004

The share certificates presently in issue and on which the new stamp is not affixed shall not be of good delivery at the Luxembourg Stock Exchange and at the Hors Cote Etranger in Paris from February 13, 1995 onwards but may always be validated. Shares offered for repurchase directly to the Company will be validated by the Company.

The shares will be listed at the Luxembourg Stock Exchange from December 28, 1994 onwards in US\$; the shares shall continue to be listed at the Hors Cote Etranger in Paris in FFR.

The new prospectus dated December 28, 1994, describing in particular the new structure of the Company and the procedure for the repurchase and the sale of shares of the Company, is available at the registered office of the Company: 7, Place du Theatre, P.O. Box 408, L-2014 Luxembourg, telephone (352) 46 24 01, telex 22398 (panco lu), fax (352) 46 25 27, at the Custodian Bank S.G. Warburg & Co. Ltd, Luxembourg Branch, 14, rue Léon Thyges, L-2636 Luxembourg, telephone (352) 42 12 11, telex 60094 (wamb), fax (352) 42 12 16 50 and at the offices of the banking institutions listed herein before.

On December 28, 1994, the net asset value was US\$ 325.96 per share, the repurchase price US\$ 324.33 per share and the sale price US\$ 327.59 per share.

Luxembourg, December 28, 1994

The Board of Directors

ABBEY NATIONAL

Treasury Services plc
GB £100,000,000 Subordinated
Floating Rate Notes due 1995

Notice is hereby given that for the Interest Period from 29th December, 1994 to 29th March, 1995, the Note will carry a Rate of Interest of 7.125% per annum. The amount of interest payable on 29th March, 1995 will be GB£115,616.80

Agent Bank: Dai-ichi Kangyo Bank (Luxembourg) S.A.

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All the spot price information you require for Global Crude and Products markets

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CALL NOW for a FREE TRIAL 011 922 8793

US\$200,000,000

Banco di Roma

Floating Rate Depository

Receipts due 1998

For the period from December 30, 1994 to March 30, 1995 the Notes will carry an interest rate of 6.75% per annum with an interest amount of US\$ 3,622.22 per US\$200,000 Note.

The relevant interest payment date will be March 30, 1995.

Agent Bank:

BANQUE PARIBAS

(Luxembourg)

Up to 15% off electricity

Powerline

0121 423 3018

Powerline

Powerline Electricity Ltd

FOREX

Sovereign (Forex) Ltd.

24hr Foreign Exchange

Margin Trading Facility

Compelling Prices

Daily Fax Service

Tel: 071-931 9188

Fax: 071-931 7114

4th Redbridge Police Road

London W97W 0GZ

EAST RAND PROPRIETARY MINES, LIMITED

(Registration number: 01/00773/06)

(Incorporated in the Republic of South Africa)

(“ERPM”)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of members will be held at Randgold House, Corner Northern Parkway and Havelock Road, Johannesburg, at 10.30 on Friday, 20 January 1995 for the purpose of considering and, if deemed fit, passing with or without modification the following ordinary resolution:

1. Ordinary resolution to amend option scheme

"Resolved as an ordinary resolution that the ERPM (1993) Share Option Scheme be amended as follows:

1. By deleting from the paragraph below clause 3.2.2 the words "in respect of which an option has been exercised by a retired former employee"

2. By deleting from clause 4.1 the words "provided that options granted to directors of the company shall be subject to the condition that if the allotment and issue of the shares resulting from exercising the option is not approved by an ordinary resolution of the company in general meeting passed prior to the date on which the option was exercised, then the option will lapse, and the optionholder should have no claim against the company as a result thereof"

3. By inserting the following new sentence at the end of clause 4.5 "Notwithstanding anything contained in this scheme, unless the directors otherwise determined by notice in writing given to an optionholder, an option may be exercised by an employee or retired employee in the event that a person and/or his consent party or parties (as defined in the Rules of the Securities Regulation Panel) acquires such number of shares in the company as results in the person and/or his consent party or parties having to make an offer to all other shareholders of the company in terms of the Rules of the Securities Regulation Panel."

A member entitled to attend and vote at the general meeting may appoint one or more proxies to attend and vote in his stead. A proxy so appointed need not be a member of the company. To be effective a completed proxy form must reach the company's share transfer secretaries by 10.30 on Wednesday, 16 January 1995.

A holder of a share warrant to bearer who desires to be present at the meeting must comply with the "Conditions governing share warrants" currently in force.

29 December 1994

Registered Office: Randgold House, Corner Northern Parkway and Havelock Road, Johannesburg, South Africa

United Kingdom Secretaries: Vantage Corporate Services Limited, 19 Chancery Street, London EC2N 8DP

Note: A Circular to members is being posted to registered shareholders and copies are available for holders of share warrants to bearer from the United Kingdom Secretaries.

AMERICAN EXPRESS BANK

U.S. \$100,000,000

Floating Rate Subordinated Capital Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.625% and that the interest payable in respect of U.S. \$10,000 principal amount of Notes for the period December 30, 1994 to March 31, 1995 will be U.S. \$167.47.

December 30, 1994, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Agent Bank: Société Européenne de Banque, Société Anonyme

EFW International Inc. Nom. TRL 150,000,000 - Floating Rate Notes due 1998

Notice is hereby given that from 29 December 1994 to 28 March 1995 the notes will carry an interest rate of 8.575% per annum. Interest payable on 29 March 1995 will amount to FTL 1,071,969 per FTL 5,000,000 Note and FTL 1,079,688 per FTL 50,000,000 Note.

Agent Bank: Société Européenne de Banque, Société Anonyme

Crédit Commercial de France

Lire 150,000,000,000 Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from December 30, 1994 to March 30, 1995 the Notes will carry an interest rate of 8.575% per annum.

The Coupon Amount payable on the relevant Interest Payment Date, March 30, 1995 will be Lire 111,719

per Lire 5,000,000 nominal amount of Note and Lire 1,117,188 per Lire 50,000,000 nominal amount of Note.

The Agent Bank: CCF

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COMMODITIES AND AGRICULTURE

THE MARKETS IN 1994

Copper, aluminium and coffee shine in an eventful year

For leading world commodity markets 1994 has been a year of mixed fortunes; and for many commodity analysts a period to look back on with some embarrassment.

Base metals prices, which were generally forecast to languish, remained very strong throughout; and the gold price, for which strong gains were predicted, languished. Coffee's expected modest rise turned out to be a major bull run; while cocoa failed to build as expected on its strength in late 1993.

At this time last year the prices of metals traded on the London Metal Exchange were struggling to move away from historic real-term lows. Most analysts were suggesting that the recovery would be long and arduous. Nevertheless, they said, most prices would be higher in 1994 - the exception being copper, which needed to fall a little more before moving back up. How wrong most analysts were.

Base metals prices have boomed. Copper and aluminium, the most heavily-traded metals, are 70 per cent above the levels ruling at the end of 1993 while even zinc, which most analysts agree has the worst near-term prospects of the LME metals, has risen by 16 per cent.

Nearly everyone failed to predict the impact of two new elements in the metals markets this year: the activities of the investment funds and banks.

The funds are estimated to have put US\$10bn (£10bn) into metals so far this year. Meanwhile, the banks probably control 75 per cent of the LME stock's trading, which has led to such as 85 per cent of the exchange's aluminium stock is controlled by four or five banks.

Consumers are complaining and producers, many of whom were almost suicidal a year ago, do not wholeheartedly welcome the new element in the metals markets either. High prices encourage substitution of other materials for

metals and volatile prices frighten off potential metals users. Also, some producers are using the futures markets to lock in artificially high prices either to fund further development or to bolster flagging operations - moves that might blow future supply.

Nevertheless, investment fund managers say they had good reasons for buying metals: clients wanted to reduce

\$400 a troy ounce and some of the same investors who had driven up the gold price in the spring of 1993 attempted to push silver through \$6 an ounce. This attempt was unsuccessful, as was gold's attack on \$400.

The World Gold Council points out that rising interest rates are encouraging more gold mining companies to hedge their future production

(platinum's sister metal) to double in the past year. The precious metal is needed for the multi-layer ceramic capacitors used in these telephones, as well as in a wide variety of other electronic equipment such as personal computers and the new wide-screen televisions.

Few coffee traders would have thought at the end of 1993 that a year later they would

level. But traders saw that as a "bubble" waiting to burst. They were concerned about the growing influence in the rise of the US investment funds, which might pull out of the market even more quickly than they had entered it.

There were signs that that might be happening late in May when a surge to within \$20 of the \$2,500-a-tonne mark for the second position was fol-

lowed by a \$400-plus plunge in the space of two days. In the event prices stabilised, and by mid-June any thoughts of a speculative sell-off had been dismissed following news that growing areas in Brazil, the world's biggest producer by far, had suffered a damaging frost that had severely hit flowering for the 1995-96 crop.

That pushed the second position price above \$3,000 a tonne, and four weeks later it topped \$4,000 to reach the highest level for eight and a half years after a second frost struck in Brazil.

After another retreat prices were driven to fresh 8½-year highs in September by more Brazilian weather worries.

Brokers C. Caramello said recently that sugar prices were likely to continue in a "consolidation phase" for a while because big importers such as China and Russia would probably stay out of the market until well into next year. In its December Sugar Review Caramello said: "Although renewed strength may well emerge during the course of

next year, there is now less certainty about the direction which the market might take in the short term and there is likely to be a period of consolidation."

A week earlier, however, E.D. & F. Man, another broker, suggested that the sugar market could move higher in coming months. "In this situation," it said, "even routine offtake is enough to reinforce the underlying support for prices."

The International Sugar Organisation, which represents the world's leading producers, appears to go along with Caramello's "consolidation theory". It said recently that it believed prices above 18 US cents a pound (just above the current level) would "dry up physical demand from the price-sensitive importers which account for the lion's share of the world sugar trade."

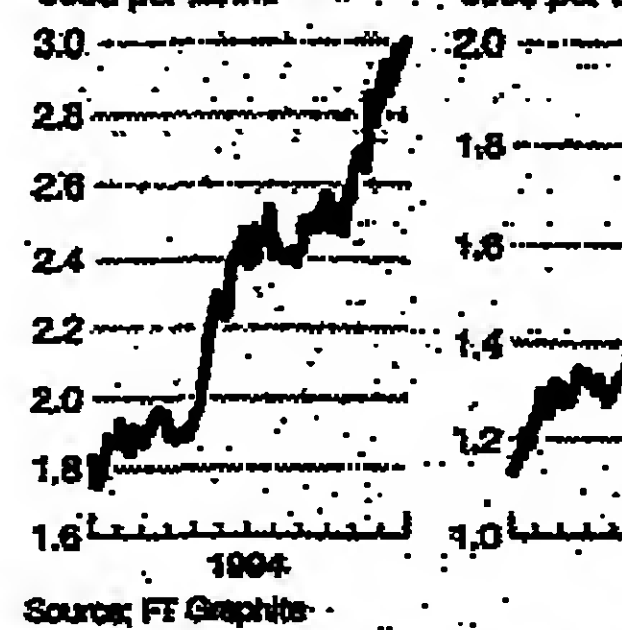
Volatility has been one of the main features of oil prices this year, with sharp swings between the year's low of just under \$12 a barrel for Brent Blend in February and a high of about \$19.40 a barrel in the summer. Some traders say the presence of hedge and commodity funds in the oil markets has led to increased price volatility.

Oil prices have remained relatively weak even though the Organisation of Petroleum Exporting Countries has generally adhered to the 4.5m barrel a day quota first set in September 1993. The continued expansion of non-Opec production, particularly from the British and Norwegian sectors of the North Sea, was one of the main reasons why Opec's strategy over the past year failed to result in oil prices moving steadily upwards.

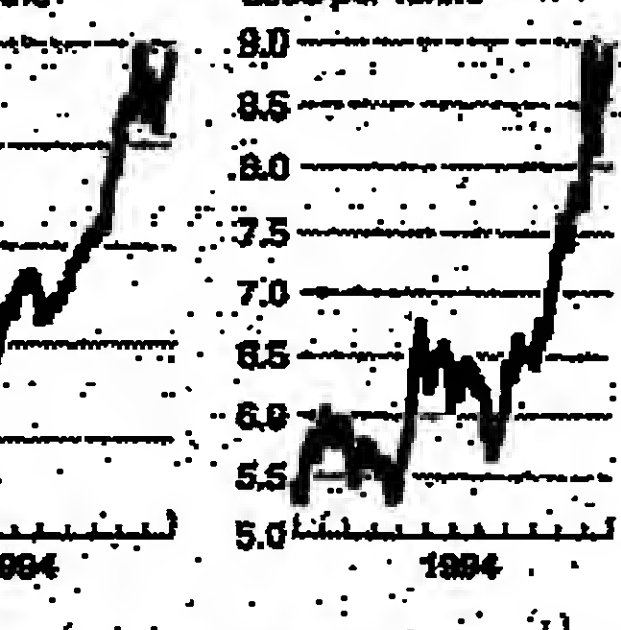
Non-Opec production is expected to expand even further over the first half of 1995. But Opec strategists hope that faster economic growth in the main industrial countries will lead to sharply higher oil demand by the end of 1995, and the prospect of higher prices.

Richard Mooney, Kenneth Gooding and Robert Corzine

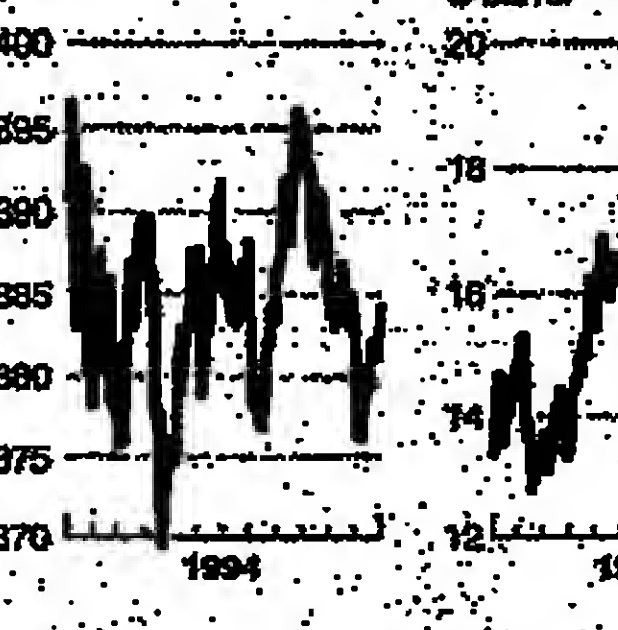
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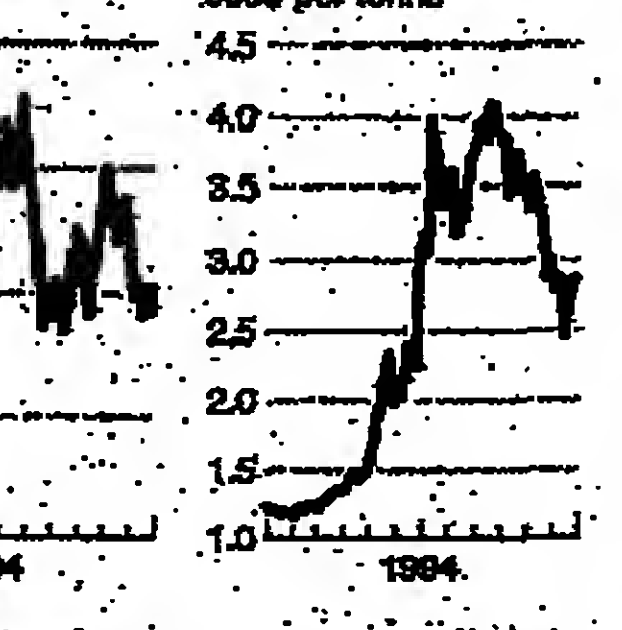
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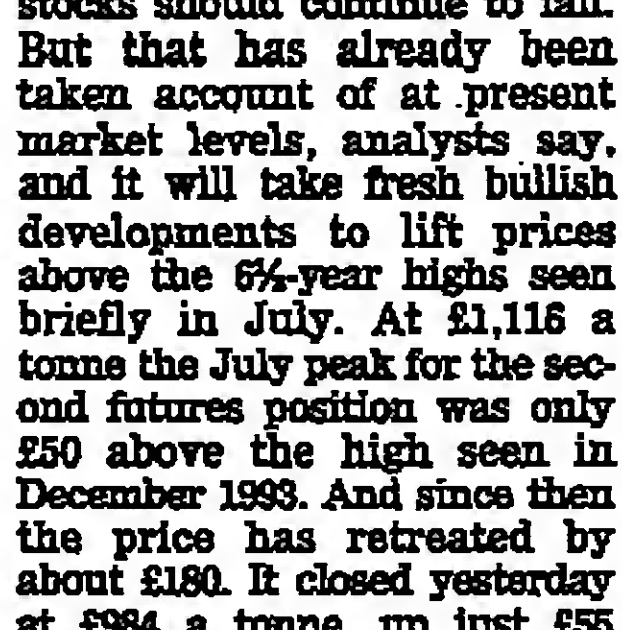
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Source: FT Graphite



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.99% (per tonne)

Close 1993-94 1891-25
Previous 1993-94 1891-25
High/Low 1993-94 1891-25
AM Official 1993-94 1891-25
Karb close 1993-94 1891-25
Open Int. 240,201
Total daily turnover 38,338

ALUMINIUM ALLOY 5 (per tonne)

Close 1993-94 1915-25
Previous 1993-94 1915-25
High/Low 1993-94 1915-25
AM Official 1993-94 1915-25
Karb close 1993-94 1915-25
Open Int. 2,833
Total daily turnover 616

LEAD 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

NICKEL 3 (per tonne)

Close 1993-94 8990-70
Previous 1993-94 8990-70
High/Low 1993-94 8990-70
AM Official 1993-94 8990-70
Karb close 1993-94 8990-70
Open Int. 60,194
Total daily turnover 12,145

TIN 3 (per tonne)

Close 1993-94 8990-100
Previous 1993-94 8990-100
High/Low 1993-94 8990-100
AM Official 1993-94 8990-100
Karb close 1993-94 8990-100
Open Int. 11,245
Total daily turnover 12,145

ZINC, special high grade (per tonne)

Close 1993-94 1180-1
Previous 1993-94 1180-1
High/Low 1993-94 1180-1
AM Official 1993-94 1180-1
Karb close 1993-94 1180-1
Open Int. 13,891
Total daily turnover 18,943

COPPER, grade A (per tonne)

Close 1993-94 3002-3
Previous 1993-94 3002-3
High/Low 1993-94 3002-3
AM Official 1993-94 3002-3
Karb close 1993-94 3002-3
Open Int. 228,768
Total daily turnover 74,268

LME ALUMINUM OFFICIAL 3 (per tonne)

Close 1993-94 1915-25
Previous 1993-94 1915-25
High/Low 1993-94 1915-25
AM Official 1993-94 1915-25
Karb close 1993-94 1915-25
Open Int. 240,201
Total daily turnover 38,338

LME COPPER OFFICIAL 3 (per tonne)

Close 1993-94 3002-3
Previous 1993-94 3002-3
High/Low 1993-94 3002-3
AM Official 1993-94 3002-3
Karb close 1993-94 3002-3
Open Int. 228,768
Total daily turnover 74,268

LME ZINC OFFICIAL 3 (per tonne)

Close 1993-94 1180-1
Previous 1993-94 1180-1
High/Low 1993-94 1180-1
AM Official 1993-94 1180-1
Karb close 1993-94 1180-1
Open Int. 13,891
Total daily turnover 18,943

LME NICKEL OFFICIAL 3 (per tonne)

Close 1993-94 8990-70
Previous 1993-94 8990-70
High/Low 1993-94 8990-70
AM Official 1993-94 8990-70
Karb close 1993-94 8990-70
Open Int. 42,450
Total daily turnover 10,780

LME TIN OFFICIAL 3 (per tonne)

Close 1993-94 8990-100
Previous 1993-94 8990-100
High/Low 1993-94 8990-100
AM Official 1993-94 8990-100
Karb close 1993-94 8990-100
Open Int. 11,245
Total daily turnover 12,145

LME LEAD OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME SILVER OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME PLATINUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME GOLD OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME IRIDIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME RHODIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME PALLADIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME COBALT OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME MANGANESE OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME VANADIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME TUNGSTEN OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME MOLYBDENUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME NIOBIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME TANTALUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME ZIRCONIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME HAFNIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME THORIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME URANIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME PLUTONIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME AMERIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME CURIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME FERMIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME MENDENVIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME NUBIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME HASSIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

LME THERMIUM OFFICIAL 3 (per tonne)

Close 1993-94 899-0
Previous 1993-94 899-0
High/Low 1993-94 899-0
AM Official 1993-94 899-0
Karb close 1993-94 899-0
Open Int. 42,450
Total daily turnover 10,780

PRECIOUS METALS CONTINUED

GOLD COMEX (100 Troy oz; \$/troy oz)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

SILVER COMEX (100 Troy oz; \$/troy oz)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

PALLADIUM NYMEX (50 Troy oz; \$/troy oz)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

RUDE CRUDE OIL (42,000 US gal; \$/barrel)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

NATURAL GAS NYMEX (10,000 cu ft; \$/cu ft)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

HEATING OIL NYMEX (42,000 US gal; \$/barrel)

Close 1993-94 382.7
Previous 1993-94 382.7
High/Low 1993-94 382.7
AM Official 1993-94 382.7
Karb close 1993-94 382.7
Open Int. 382.7
Total daily turnover 382.7

CRUDE OIL IPE (per barrel)

BANKS

CHEMICALS

ELECTRONIC & ELECTRICAL ESTY Cont

EXTRACTIVE INDUSTRIES Cont.

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

BREWERIES

DISTRIBUTORS

Standard	100	100
Small Business	100	100
Technical	100	100

Exhibit _____	11-1	11-1	11-1
Exhibit 11-1	11-1	11-1	11-1
Exhibit 11-1	11-1	11-1	11-1

Standard Size ☐ 2

For & Col US Bank ☐

BUILDING & CONSTRUCTION

Enterprise Comp.	2
Eurodollar	200

Habcock Int'l	_____	294
Berry Wehner	_____	138
Brown Int'l	_____	81

Malaysia M100	106	-2	144	77
Montedison AS	22	+1	30	17

1404 Laysan Is. 3-1960

Guyana Corp. ☐ **T**

BUILDING MATS & MERCHANTS

Jordan (T) _____ 25ml
 Warner B MC _____ 52813
 Info _____ 152

Inspect Inds.....	2M	143mi
Volume.....	7H	210mi
Radioactive.....	2M	184

Weight	4182	543	399	9
Barrels	54	87	80	
Volume	29132	-212 ET14-L	2223	8

British Rev.....\$79
Broadgate TstN
Craven, 198
M. E. Craven

Loi & St Lawrence ☒
Loi Amer Growth ☐

15.8	-	-
4.9	174.3	8.2
-	80.5	33.7

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BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)

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CURRENCIES AND MONEY

MARKETS REPORT

Political worries push peseta to record low

Concern that political troubles could prompt the fall of the government yesterday drove the Spanish peseta to a record low, writes Philip Gault.

Spanish markets have been rocked recently by allegations of government involvement in undercover operations against Eta, the Basque separatist group. After touching a low of Ptas 85.28 against the D-Mark, the peseta closed in London at Ptas 85.15, from Ptas 84.82.

The Italian lira was also a victim of political worries, and general D-Mark strength. It touched the crucial level of L1,050 against the D-Mark, to touch L1,050.10, from L1,045.

In Mexico, by contrast, markets rallied, with interest rates falling and the peso recovering sharply. The peso finished in London at 4.925 pesos, from 5.3 pesos, to the dollar. It was later quoted by Reuters at 4.65/48 pesos.

The Canadian dollar continued to weaken, despite reported central bank interven-

tion, finishing at C\$1.407 from C\$1.403.

The US dollar recovered from its sharp fall on Wednesday afternoon in New York, where it touched lows around DM1.557 and Y98.6, to close at DM1.557 and Y98.6.

Traders stressed again that liquidity was very poor, and this was accentuating price movements.

Mr Felipe Gonzalez, Spain's prime minister, sought to calm markets by saying he would not call an early general election. Arguably, this achieved the reverse effect. Mr Malcolm Barr, international economist at Chemical Bank in London, commented: "This only added to the markets' nervousness because it was seen as a sign of

the depths of the crisis. There is a feeling this could be a bit like the Berlusconi investigations which don't end until the roots are traced right to the top."

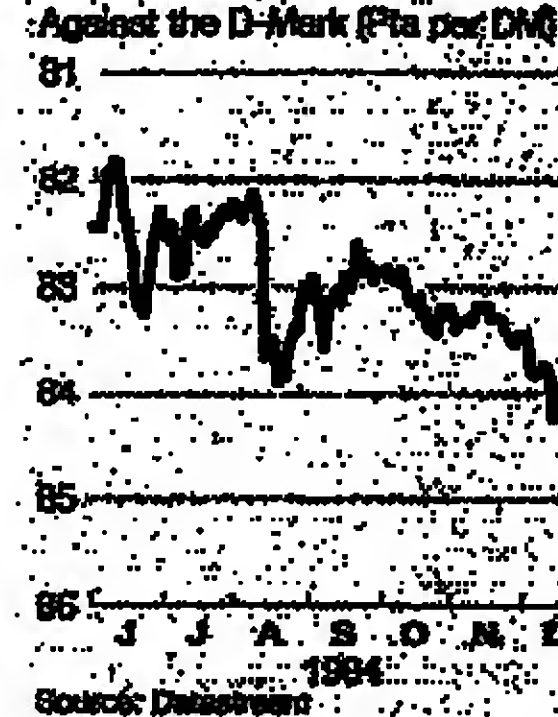
"The suspicion has been created that Mr Gonzalez and members of his government knew what was going on, and that Gonzalez could be forced to resign if any evidence came to light," said Mr Barr. He said Spanish economic fundamentals were also not good, "and this sort of development forces the market to reappraise what is going on."

Mr David Williams, European economist at Merrill Lynch, commented: "The basic problem for the peseta moving forward is that Spain's extremely high propensity to import, coupled with a gradual loss of cost competitiveness, points to a trend deterioration in the current account."

The Bank of Spain said it will defend the value of the peseta, and economists believe

Peseta

Against the D-Mark (Pts per DM)



that if it weakens to around Ptas 86/85, the bank will be forced to raise interest rates.

The catalyst for the peseta's appreciation was news that the US is working with Mexico on a credit facility to stop the currency's recent fall. A US Treasury official said also that Mexico had not drawn on the \$7bn currency

support line provided to it by the US and Canada to support the peso.

The official comment followed market rumours which saw the dollar plummet by around three pence and two yen during afternoon New York trade on Wednesday.

In France leading commercial banks raised their base rate to 8.25 per cent from 7.55 per cent, but the Bank of France held its intervention rate at 5 per cent.

The intervention rate has been at 5 per cent since May 94. Analysts said the central bank had sought to keep its intervention rate above the German repo rate, which has been at 4.85 per cent since July. French inflation is only 1.6 per cent, but the central bank wishes to keep the franc stable against the D-Mark.

The franc closed unchanged at FF4.455 against the D-Mark.

In the UK short sterling con-

tracts fell by 10-15 basis points. They took their lead from the collapse in gilt prices. Mr Richard Phillips, analyst at brokers GNI, said the tone had been set by heavy selling from two US hedge funds. "It has been a combination of extremely tight markets and some quite lumpy orders."

The March contract finished at 82.52, from 82.65.

Sterling had an erratic day, finishing more than a penny lower against the D-Mark, at DM2.4153, from DM2.4309. Against the dollar it was up by 1 1/2 cents, at \$1.5595, from \$1.5447.

The Bank of England provided UK money markets with £700m assistance, after declaring a £800m daily shortage.

OTHER CURRENCIES

Dec 29
Hong Kong 76.448 / 76.724 152.10 / 152.10
New Zealand 27.518 / 27.518 174.00 / 174.00
Singapore 4.688 / 4.688 0.294 / 0.294
South Africa 3.917 / 3.917 24.600 / 24.600
Switzerland 2.254 / 2.254 3.675 / 3.675

WORLD INTEREST RATES

MONEY RATES

December 29	Overnight	One month	Three months	Six months	One year	Long term	Repo
Belgium	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Canada	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
France	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Germany	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Italy	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Netherlands	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Spain	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Sweden	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Switzerland	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
UK	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
US	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Japan	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50

LIBOR FT London

December 29	Overnight	One month	Three months	Six months	One year
Bankers' Funding	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
US Dollar Cds	5.00	5.12	5.67	7.46	-
US Dollar Dts	5.51	5.86	6.49	7.26	-
US Dollar T-bills	4.75	4.75	4.75	4.75	-
US Dollar Notes	4.75	4.75	4.75	4.75	-
US Dollar Bonds	4.75	4.75	4.75	4.75	-

EURO LIBOR FT London
Bankers' Funding 8 1/4
US Dollar Cds 5.00
US Dollar Dts 5.51
US Dollar T-bills 4.75
US Dollar Notes 4.75
US Dollar Bonds 4.75

EURO LIBOR FT London
Bankers' Funding 8 1/4
US Dollar Cds 5.00
US Dollar Dts 5.51
US Dollar T-bills 4.75
US Dollar Notes 4.75
US Dollar Bonds 4.75

EURO LIBOR FT London
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US Dollar Dts 5.51
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US Dollar Notes 4.75
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US Dollar Dts 5.51
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US Dollar Notes 4.75
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EURO LIBOR FT London
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US Dollar Dts 5.51
US Dollar T-bills 4.75
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POUND SPOT FORWARD AGAINST THE POUND

Dec 29	Closing mid-point	Change on day	Settlement	High	Low	One month	Three months	One year	Bank of England
Europe	17.0274	-0.0008	180	398	17.0238	16.9940	17.0138	1.0	11.63
Australia	(A\$)	49.7044	-0.245	307	281	50.5900	49.8200	49.7744	0.7
Canada	(C\$)	94.906	-0.0434	912	200	95.400	94.9334	94.9334	0.4
Denmark	(DKK)	7.3633	-0.0168	826	239	7.4140	7.3820	7.3820	0.3
Finland	(FIM)	6.3297	-0.0172	402	841	6.3980	6.3494	6.354	-0.2
France	(FF)	2.4185	-0.0126	169	136	2.4319	2.4149	2.4167	0.9
Germany	(DM)	2.4185	-0.0126	169	136	2.4319	2.4149	2.4167	0.9
Greece	(Dr)	375.050	-0.008	784	336	376.754	374.544	374.544	0.2
Ireland	(Ir£)	1.0068	-0.0003	981	107	1.0246	1.0064	1.0101	-0.2
Italy	(Lira)	2.037	-0.0003	981	107	2.0544	2.0368	2.0418	-0.2
Japan	(¥)	160.704	-0.0003	981	107	161.100	160.704	160.704	0.2
South Korea	(Won)	200.000	-0.0003	981	107	200.000	200.000	200.000	0.2
Spain	(Pts)	85.15	-0.0003	981	107	85.15	85.15	85.15	0.2
Sweden	(Skr)	11.8001	-0.0017	945	176	11.8579	11.8271	11.8281	-1.8
Switzerland	(Sfr)	2.0460	-0.0003	981	107	2.0638	2.0456	2.0494	-0.1
UK	(£)	-	-	-	-	-	-	-	-
US	(\$)	1.5595	-0.0003	724	73	1.5896	1.5720	1.5732	-0.1
SDR	(S)	-	-	-	-	-	-	-	-

100R rates for Dec 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index closed by the Bank of England, based on the 1994 index. Bank of England rates in both the US and the Dollar Spot tables derived from the WASHINGTON CLOSING SPOT RATES. Some values are rounded by the F.T.

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100R rates for Dec

[illegible][illegible][illegible]

Financial Times. Europe's Business Newspaper.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close December 29

177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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AMERICA

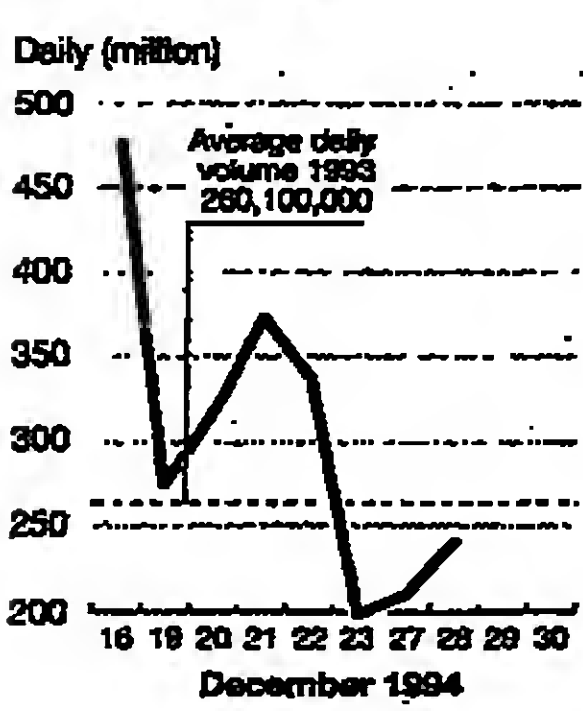
Equities vacillate in thin year-end trading

Wall Street

US share prices were mixed yesterday morning as investors adjusted their portfolios to finish the year, writes Lisa Brannen in New York.

By 1 pm, the Dow Jones Industrial Average had fallen 5.05 to 3,834.44. The more broadly-based Standard & Poor's 500 dropped 0.39 to 460.47, the American Stock Exchange composite rose 0.67 to 430.29 and the Nasdaq composite gained 2.64 to 745.10.

NYSE volume



Volume on the NYSE was 142m shares.

The market was volatile in thin trading. The Dow shot up more than 12 points near the opening bell before turning negative by early afternoon.

There was no apparent reason for market movements on the penultimate day of trading this year because most economic data was generally within the range of economists' forecasts. The index of leading economic indicators rose 0.3 per cent in November, according to the Commerce Department, although analysts had expected an increase closer to 0.1 per cent.

Initial unemployment claims fell 3,000 to 322,000 for the week ending December 24, according to the Labor Department. Although not considered among the most important economic indicators, the figures are viewed as a preview of all-important unemployment statistics due out next month.

The bond market, which fell on Wednesday, was mostly flat, in part because it found some support from the dollar which bounced back from Wednesday's lows.

Gibson Greetings, which dropped 3 1/4 to \$14 1/4, announced that it would cut the full-time workforce at its corporate and greeting card division by about 5 per cent, or 125 positions.

Apple Computer gained 3/4 at \$39 1/2 after reports that a company, partly-owned by Olivetti, had announced a clone of the California-based computer maker's Macintosh model. Other technology shares were also mostly higher. Hewlett-Packard rose 1/4 to \$101 1/4. Dell Computer climbed 1/4 to \$41 1/4. Compaq Computer was up 3/4 at \$39 1/4 and Gateway 2000 rose 1/4 at \$21 1/4. Equipment lost 3/4 at \$34 1/4. Intel gained 1/4 at \$64 after Merrill Lynch increased its estimate of the company's earnings. The news brought up prices of other semiconductor companies, as it suggested that there would be no long-lasting implications from Intel's mis-handling of public relations related to a flaw in its Pentium chip. Micron Technology rose 1/4 at \$45 1/4 and Analog Devices was up 3/4 at \$34 1/4.

Telex continued to rebound. By midday, the stock had risen 3/4 at \$41 1/4.

Canada

Toronto was weak at noon, depressed by softness in transportation, real estate and financial services. The TSX 300 composite index was down 16.77 to 4,184.75 by midday in very low volume of 15.1m shares. Canadian Imperial Bank of Commerce fell 3/4 to \$33 1/4 in moderate midday trading. The Bank of Montreal lost 3/4 to \$36 in fairly heavy volume.

Mexico

Talk of a US rescue package for Mexico lifted the peso, and the IPC index recovered another 23.79 to 2,301.51, as 7,49m shares changed hands. Dealers said that window dressing by local mutual funds was part of the process.

Government officials confirmed that the Mexican president, Mr Ernesto Zedillo, plans to announce an "economic restructuring" programme at 2000 local time next Monday, including privatisations, spending cuts and an international aid package.

Brazil

Brazilian shares rose 3.6 per cent in moderate midsession trading, spurred by heavy buying from pension and equity funds squaring portfolios ahead of the year-end.

The Bovespa index was up 1,521 to 43,474 at 1300 local time in turnover of R\$148.1m (\$174.7m).

Brazilian stock exchanges will be closed today, ahead of the New Year's Day holiday.

Argentina

An early 2.5 per cent rise in Argentina's Merval index suggested that investors were regaining confidence in the market, after the 17 per cent slide since Tuesday of last week. The Merval climbed to 4,677.4, preceded by a strong advance in Argentina's Brady bonds on Wall Street.

SOUTH AFRICA

Profit-taking and an easier gold price bumped South African shares off their earlier highs in quiet afternoon trade. The overall index gained 17.1 to 5,857.2, industrials were 14.5 firmer at 6,977.2 and golds picked up 38.5 to 2,014.6.

Van Rensburg rose on R325 to R370.35 in active trade and Kloof gained R1.40 to R60.75.

EUROPE

Domestic fears depress Paris, Madrid

Bourses were weakened in the morning by overnight losses on Wall Street and, in the afternoon, as the dollar and US bonds took over. However, the French and Spanish markets had their own problems at the end of the day, as actions designed to release fiscal and political tensions had the reverse effect, writes Our Markets Staff.

PARIS opened to a Bank of France offer of overnight money, aimed to reduce tension in the money markets. However, financials continued to lead the equity market down, said Mr Frederic Sauvagein at Ferri, and the weakness in the sector over the past two days was justified at the close as commercial banks increased their base lending rates from 7.5 to 8.25 per cent.

The CAC-40 index dropped 33.68, or 1.75 per cent, to 1,894.15 in turnover of FF2.5bn. Falls were widespread, but in financials Axa was down FF2.10 to FF250.80, BNP by another FF4.70 to FF249 and UAP by FF4.30 more to FF138.50.

Mr Sauvagein conceded that there were other reasons for the day's fall: US influences; fears on the Algerian crisis; and a window dressing movement involving the selling of underperformers to leave the

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20
FT-SE 100	1331.86	1331.51	1331.47	1332.05	1332.18	1327.84	1327.25	1327.46	1327.46	1327.46	1327.46
FT-SE 250	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00	1330.00

remainder of a given portfolio looking in better condition.

MADRID hit its third consecutive closing low, the general index ending 2.36 lower at 280.33, after 278.00. Bond markets dropped and the peseta hit a new low against the D-Mark.

Prior to this the prime minister, Mr Felipe Gonzalez, rejected either calling early elections or resigning, saying that this would weaken Spain's financial markets.

Turnover was strong at Ptas45.31bn. One exception to the day's equity retreat was Banesto, suspended for a time before the sale of its 50 per cent stake in the Portuguese bank, Banco Totta y Acores, was confirmed, but quoted later to close Ptas4 higher on the day at Ptas949 in volume of 1m shares.

FRANKFURT ignored continuing corporate and industrial further erosion from the solidarity income tax surcharge

starting next week.

AMSTERDAM dipped in response to lower bonds and the AEX index eased 0.34 to 414.47 in very thin trading.

Pokker, the aircraft manufacturer, took an early 14 per cent tumble in response to news of a management consultants report which concluded that the company might not survive unless it cut costs drastically. Later the shares picked up to finish 30 cents or 2.5 per cent down at FL11.80 on speculative buying by individual domestic investors.

Polygram gained 70 cents to FL90.70 on heavy US buying.

ZURICH was lower as bonds weakened and with the day's economic data from the US triggering further late losses. The SMI index lost 27.4 to 2,628.8.

Among the financials, UBS bearers dropped Sfr23 to Sfr1.068 amid large sell orders, especially from foreign investors, who worried about an investigation into the price of packets of shares which changed hands in October.

Zurich Insurance was Sfr10 down at Sfr1.245 as the group said it was confident that its agreement with Sweden's Trygg-Hansa, to bail out Trygg's U.S. subsidiary, Home Holdings, would stand, in spite of reports of revised offers

from a group of US investors.

Holderbank lost another Sfr15 to Sfr991 on continued concern over the impact of the company's exposure in Mexico.

A Sfr2,500 or 7.3 per cent rise in Kuoni to Sfr36,500 was attributed to speculation that there may be a change in the holding of the largest shareholder.

MILAN, with politics on the backburner, carried its correction into a second session after the strong run of the previous week, and the Comit index finished 9.09, or 1.4 per cent lower, at 625.00.

Ferruzzi lost L41 to L1.235 as speculation faded that it would announce the expected sale of Fondiaria by the end of the year.

Against the trend, Credito Romagnolo picked up L15 to L19,200 as the Bank of Italy gave the go-ahead to Cariplo's bid.

STOCKHOLM was lower, the AFARsindex index losing 3.1 to 1,480.0 in quiet, holiday conditions.

Trygg-Hansa, however, rose SKR2 to SKR82 as the insurer said that it had no comment on reports that US investors were planning revised offers for its Home Holdings subsidiary.

Written and edited by William Cochran and Michael Morgan

ASIA PACIFIC

Nikkei edges ahead as Taipei recoups 1.2%

Tokyo

Small lot purchases by retail and overseas investors supported share prices, and the Nikkei index posted moderate gains in light volume, writes Emilio Terazono in Tokyo.

The 225 average rose 87.45 to 19,782.98 after a low of 19,509.15 and a high of 19,783.78. Arbitrage unwinding depressed share prices in the morning session, but arbitrage buying and blue chip buying by foreign investors supported the index later.

Volume totalled 210m shares against 254m. Individual investors focused on speculative favourites, while a European bank targeted blue chip electricals. Institutional investors remained sidelined ahead of the New Year holidays.

The Topix index of all first section stocks gained 2.55 to 1,554.34 and the Nikkei 50 rose 1.12 to 286.36. Losers outnumbered gainers by 597 to 398 with 157 unchanged and, in London, the ISE/Nikkei 50 index rose 0.05 to 1,296.49.

The dollar weakened against the yen, falling below the Y100 level. Some traders said that volatility on the currency market was a good test for the underlying strength of the stock market, and that the Nikkei could rise further in the new year if share prices manage to withstand the current rise in the yen.

The consensus among most analysts, however, seemed to be that share prices will hit a low in the first three months of the year, according to a survey by the Kyodo News Service. Of 30 analysts surveyed, 27 said that they expect the Nikkei index to hit a low of around 19,000 early next year, while 14 predicted that the average would rise to the 23,000 level in the second half.

Speculative issues gained ground. Pacific Metals, the most active issue of the day, rose Y37 to Y360 while Sakai Over gained Y35 to Y760.

Matsushita Electric Industrial rose Y20 to Y1,630 for foreign buying as did Nomura Securities, up Y20 to Y2,070.

Automobile makers were actively sought. Toyota Motor rose Y20 to Y2,090 while Nissan Motor gained Y15 to Y517.

In Osaka, the OSE average fell 27.37 to 21,629.23 in volume of 23.6m shares.

Roundup

The holiday season continued to limit activity in the Pacific Rim, where Seoul, Jakarta and Bombay were closed.

TAIPEI gained nearly 1.2 per cent in a rebound after two days of falls, led by financials, textiles and some speculative shares. The weighted index ended 79.50 higher at 7,027.43 in heavy turnover of T\$88.76m.

Financials recovered after a recent consolidation, China Development rising T\$4 to

T\$144.50. Textiles responded to product price rises, with Tah Tungs Textile up by its 7 per cent limit to T\$42.30.

HONG KONG was lower on futures-linked selling but recovered from morning lows after local and UK bargain hunters stepped in as the firmer US dollar during the afternoon also helped sentiment. The Hang Seng index lost 72.20 or 0.9 per cent to 8,196.02 in turnover of HK\$1.7bn, against Wednesday's HK\$1.5bn.

SINGAPORE'S Straits Times Industrial index finished 8.87 higher at 2,243.02 on last-minute advances by several key stocks but, overall, the session was weak and mixed.

KUALA LUMPUR saw further losses as volume slumped

to 50.3m shares, the lowest this year. The composite index ended down 8.83 or 0.9 per cent, at 967.14, largely due to a 60-cent fall in Telekom Malaysia to M\$17.00.

SYDNEY ended slightly weaker after being supported for most of the session by institutional buying of stocks whose options expired yesterday. The All Ordinaries index ended 2.7 lower at 1,932.8 after an intraday high of 1,943.0.

Dealers said that institutions were caught short in BHP after its strong rally in recent days. This, combined with the strong performance of golds, underpinned a market which otherwise was weighed down by Wednesday's profit-taking on Wall Street.

WELLINGTON's leaders,

Brierley apart, dragged the market down after Wall Street's overnight retreat, the NZSE-40 index closing 10.46 down at its low for the day of 1,909.37.

MANILA indulged in some light window-dressing, institutional investors picking up selected bargains in order to book higher values for their portfolios. The composite index rose 8.03 to 2,785.81 in moderate turnover of 1,580m pesos.

BANGKOK saw light selling after falls in key foreign markets and the announcement of a Thai import tax cut. The SET index closed 10.35 lower at 1,352.89 in turnover of Bt1.1m.

KARACHI fell on profit-taking by short-term investors, the KSE 100 index losing 8.53 to 2,047.24.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms			Local currency terms		
		Dec 29 1994	% Change over week	% Change Dec '93	Dec 29 1994	% Change over week	% Change Dec '93
Latin America (207)	582.94	-15.9	-10.4				
Argentina (24)	786.45	-0.4	-22.9		470,077.20	-9.3	-23.0
Brazil (57)	377.66	-11.0	+62.3		1,205,406.980	-10.4	+1,086.2
Chile (25)	786.72	-1.5	+42.6		1,274.65	-1.5	+33.7
Colombia (11)	773.27	+2.8	+19.9		1,131.25	+2.8	+22.0
Mexico (57)	822.90	-24.7	-38.1		1,255.99	+1.7	-5.9
Peru (11)	179.78	-6.3	+48.7		237.24	-0.7	+49.2
Venezuela (12)	463.29	-1.6	-21.7		1,808.16	-1.7	+27.3
Asia (558)	249.42	+2.8	-14.3				
China (18)	77.02	-3.0	-48.4		82.36	-3.3	-48.8
South Korea (156)	137.28	-1.0	+16.7		143.37	-1.3	+14.2
Philippines (19)	300.45	+2.9	-11.8		350.53	+3.2	-2.1
Taiwan, China (30)	157.59	+1.0	+16.6		156.22	+0.9	+16.8
India (76)	123.41	-0.3	+5.9		137.61	-0.2	+6.8
Indonesia (38)	100.52	+3.8	-19.4		119.57	+3.9	-16.0
Malaysia (104)	269.34	+4.3	-20.6		245.73	+4.3	-24.4
Pakistan (16)	354.08	-2.9	-8.7		494.14	-2.9	-6.4
Sri Lanka (6)	170.83	+1.4	-3.6		184.10	+1.8	-3.6
Thailand (65)	388.32	+1.7	-19.1		385.33	+1.8	-20.3
Burma/Mid East (125)	120.48	+0.2	-28.8				
Greece (25)	222.47	-0.1	-2.3		367.47	+0.4	-4.4
Hungary (5)	156.00	+1.6	-6.4		214.62	+2.9	+6.3
Jordan (13)	151.90	-1.0	-8.2		225.13	-0.8	-8.0
Poland (12)	458.11	-2.0	-44.2		698.18	-1.9	-36.7
Portugal (25)	120.42	-1.8	-13.8		134.18	-2.1	-1.1
Turkey (40)	127.44	+1.4	-40.1		2,276.19	+1.5	+56.5
Zimbabwe (5)	245.01	-0.2	+21.2		302.57	-0.1	+41.6
Composite (890)	308.51	-6.6	-13.3				

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1985=100 except those noted which are (Feb 1 1981; Dec 31 1982; Jan 1 1983; Jan 1 1984; Jan 1 1985; Jan 1 1986; Jan 1 1987; Jan 1 1988; Jan 1 1989; Jan 1 1990; Jan 1 1991; Jan 1 1992; Jan 1 1993; Jan 1 1994; Jan 1 1995).

The pattern of investment in the world's emerging markets throughout 1994 has been uneven, with many international fund managers turning cautious, writes John Pitt. This is reflected in the flow of funds, which has begun to slow down from a peak of more than \$205bn in 1993, direct and indirect investment in emerging markets this year is expected to be about \$177bn. The recent trauma in Latin America has shown that even markets perceived as being on the threshold of maturity can conceal a sting in the tail. Turkey has remained one of the worst performing markets in 1994, although equities have clawed back some of their losses during the second half. Mr Tim Lee of GT Management notes that the current environment of negative real interest rates, easy liquidity and a currency which is somewhat undervalued should provide a stable background. "However, this bull market should not be expected to last much beyond the next six months," says Mr Lee. "The makings of the next crisis are already in place: inflation is on the verge of a sharp acceleration which will lead to much higher interest rates and a monetary squeeze."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 28 1994					TUESDAY DECEMBER 27 1994					DOLLAR INDEX							
		US Dollar Index	Day's Change	1m Index	Yen Index	DM Index	Local Index	US Dollar Index	Day's Change	1m Index	Yen Index	DM Index	Local Index	US Dollar Index	Day's Change	1m Index	Yen Index	DM Index	Local Index
Australia (58)	175.19	1.8	188.14	111.15	143.33	143.78	1.4	172.38	185.28	109.44	141.32	147.70	189.15	100.18	100.18	100.18	100.18	100.18	100.18
Austria (18)	179.57	-0.3	172.38	113.82	148.91	148.91	0.4	1.11	176.54	171.15	113.34	148.36	148.36	187.48	187.48	187.48	187.48	187.48	187.48
Belgium (35)	188.88	-0.3	159.98	105.76	136.37	132.82	-0.4	4.15	167.12	180.20	106.09	136.69	133.44	177.04	160.78	160.78	160.78	160.78	160.78
Brazil (57)	151.82	-1.8	149.60	98.93	127.57	245.39	0.5	0.84	153.92	147.17	97.48	125.55	240.72	-	-	-	-	-	-
Canada (103)	129.31	0.0	124.11	82.04	105.79	131.37	0.2	2.83	128.28	123.91	82.06	105.96	131.04	146.51	120.54	134.79	134.79	134.79	134.79
Denmark (33)	248.00	1.2	238.03	157.35	202.90	208.30	1.0	1.43	245.08	234.95	155.58	200.81	208.15	275.79	236.61	251.47	251.47	251.47	251.47
Finland (24)	184.38	0.4	176.98	110.99	150.25	184.79	0.5	0.76	183.83	170.03	110.57	150.53	185.00	201.41	123.20	124.14	124.14	124.14	124.14
France (192)	184.38	-1.0	166.76	103.81	138.61	193.20	0.2	3.08	165.01	159.19	104.78	140.52	169.34	178.19	178.19	178.19	178.19	178.19	178.19
Germany (58)	141.14	0.4	135.47	89.55	115.47	115.47	0.2	1.80	140.61	134.79	89.26	115.28	150.40	128.37	141.78	141.78	141.78	141.78	141.78
Hong Kong (58)	328.90	-0.3	315.77	208.74	289.17	328.90	-0.3	3.79	320.08	318.43	208.65	270.80	327.84	305.58	305.58	305.58	305.58	305.58	305.58
Ireland (14)	203.21	0.2	195.05	128.83	165.26	187.23	0.6	3.41	202.77	194.38	128.73	165.23	218.00	177.28	184.00	184.00	184.00	184.00	184.00
Italy (59)	184.45	-0.1	170.50	108.61	130.10	130.10	0.1	1.75	170.01	171.81	107.92	131.59	131.59	165.51	165.51</				